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LISTING STATEMENT No. 2063

LISTED MARCH 2nd, 1961
356,013 common shares without par value
Ticker abbreviation "EXF"
Post section 10
150,000 6% Cumulative Redeemable Convertible First Preference
Shares, Series "A", of \$10 par value
Ticker abbreviation "EXF PR"
Post section 10

TORONTO STOCK EXCHANGE

LISTING STATEMENT

MAR 13 1961

EXQUISITE FORM BRASSIERE (CANADA) LIMITED

An operating company incorporated under the laws of the Province of Ontario
by letters patent dated December 16, 1949.

6% CUMULATIVE REDEEMABLE CONVERTIBLE FIRST PREFERENCE SHARES, SERIES A, WITH
A PAR VALUE OF \$10 EACH AND COMMON SHARES WITHOUT PAR VALUE.

CAPITAL SECURITIES AS AT FEBRUARY 10, 1961

AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
1,000,000 Common Shares without par value.....	356,013	356,013
20,000 5% Non-Cumulative Non-Voting Redeemable Second Prefer- ence Shares with a par value of \$50 each.....	13,000	—
300,000 First Preference Shares with a par value of \$10 each, issuable in series (1).....	150,000 Series A Preference Shares	150,000 Series A Preference Shares

(1) The 300,000 First Preference Shares with a par value of \$10 each are issuable in series and the first series consists of 150,000 6% Cumulative Redeemable Convertible First Preference Shares, Series A (herein some-times called the "Series A Preference Shares").

10th February, 1961.

1. APPLICATION

Exquisite Form Brassiere (Canada) Limited (herein sometimes called the "Company") hereby makes application for listing on The Toronto Stock Exchange of 150,000 Series A Preference Shares with a par value of \$10 each and 356,013 Common Shares without par value in the capital of the Company, all of which are issued and outstanding as fully paid and non-assessable.

2. REFERENCE TO PROSPECTUS

Reference is made to the attached Prospectus issued by the Company under date of December 29, 1960 in respect of the offering of 150,000 Series A Preference Shares with a par value of \$10 each and 30,000 Com-mon Shares without par value in the capital of the Company in Units of One (1) Series A Preference Share and one-fifth (1/5) of a Common Share, a copy of which prospectus is hereby incorporated herein and made a part hereof.

3. OPINION OF COUNSEL

Messrs. McCarthy & McCarthy, 330 University Avenue, Toronto, Ontario, Special Counsel to the Company, are filing in support of this application an opinion stating, among other things, that

(i) The Company is a duly incorporated, organized and subsisting corporation in good standing under the laws of the Province of Ontario, and

(ii) The authorized capital of the Company consists of 300,000 First Preference Shares with a par value of \$10 each, issuable in series, 20,000 5% Non-cumulative Non-voting Redeemable Second Preference Shares with a par value of \$50 each and 1,000,000 Common Shares without par value of which 150,000 of the said First Preference Shares, designated as the Series A Preference Shares, 13,000 of the said Second Preference Shares and 356,013 Common Shares have been issued and are outstanding as fully paid and non-assessable shares.

4. LISTING ON OTHER STOCK EXCHANGES

No application has been made by the Company to list any of the shares in the capital of the Company on any other stock exchange.

5. STATUS UNDER THE SECURITIES ACT

The offering of 150,000 Series A Preference Shares with a par value of \$10 each and 30,000 Common Shares without par value in the capital of the Company in Units of One (1) Series A Preference Share and one-fifth ($\frac{1}{5}$) of a Common Share referred to in paragraph 2 hereof and in the Prospectus attached hereto for sale in all of the provinces of Canada (other than Newfoundland) has been approved by the Ontario Securities Commission and other relevant provincial authorities.

6. FISCAL YEAR

The fiscal year of the Company ends on the last day of February in each year.

7. ANNUAL MEETING

The annual meeting of shareholders may be held at such place within Ontario at such time and on such day in each year as the Board of Directors of the Company or the President or a Vice-President who is a director may from time to time determine. The last annual meeting of the shareholders of the Company was held June 3, 1959.

8. HEAD OFFICE

The head office of the Company is at 215 Spadina Avenue, Toronto, Ontario, Canada.

9. TRANSFER AGENT AND REGISTRAR

The Canada Trust Company, at its office in the Cities of Toronto, Montreal, Winnipeg and Vancouver is the Transfer Agent and Registrar for the Series A Preference Shares and Common Shares in the capital of the Company.

10. TRANSFER FEES

No fee is charged on the transfer of the shares of the Company other than customary stock transfer taxes.

11. AUDITORS

The Auditors of the Company are Messrs. Wm. Eisenberg & Co., Chartered Accountants, 425 University Avenue, Toronto, Ontario.

12. DIRECTORS

NAME	OCCUPATION	RESIDENCE ADDRESS
Garson Reiner	Executive	East Sunnyside Lane, Irvington on the Hudson, New York.
Harry Louis Solomon	Executive	81 Ridge Hill Drive, Toronto, Ontario.
John Smith Gairdner	Investment Dealer	1502 Lakeshore Highway East, Oakville, Ontario.
Joseph Harry Gayne	Executive	207 Searle Avenue, Downsview, Ontario.
John Howard Hawke	Investment Dealer	303 Rose Park Drive, Toronto, Ontario.
Phillip Peter Henry	Executive	193 Hillhurst Avenue, Toronto, Ontario.
Benjamin Oremland	Attorney	120 East 79th Street, New York, New York.
Robert Herman Solof	Executive	927 Middleneck Road, Kingspoint, Long Island, New York.
Carl Morton Solomon	Barrister and Solicitor	507 Atlas Avenue, Toronto, Ontario.

This prospectus is not, and under no circumstances is to be construed as, a public offering of these securities for sale in the United States of America or in the territories or possessions thereof.

NEW ISSUES

Exquisite Form Brassiere (Canada) Limited

(Incorporated under the laws of the Province of Ontario)

150,000 6% Cumulative Redeemable Convertible First Preference Shares,
Series A

(with a par value of \$10 each)

and

30,000 Common Shares

(without par value)

In Units of one (1) Series A Preference Share and one-fifth (1/5) of a Common Share

The 6% Cumulative Redeemable Convertible First Preference Shares, Series A (herein sometimes referred to as the "Series A Preference Shares") and the Common Shares offered hereby will be fully paid and non-assessable. The Series A Preference Shares will be preferred as to capital and dividends, and fixed cumulative preferential dividends at the rate of 6% per annum, as and when declared by the board of directors, will be payable quarterly on the 1st days of January, April, July and October in each year by cheque payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted). Dividends will accrue from January 23, 1961.

The Series A Preference Shares will be redeemable, at the option of the Company, in whole at any time or in part from time to time on not less than thirty days' notice at the amount paid up thereon together with all accrued and unpaid dividends thereon to the date of redemption.

The preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Series A Preference Shares are substantially as set forth in the Statutory Information forming part of this prospectus.

Series A Preference Share Purchase Fund

So long as any of the Series A Preference Shares are outstanding and subject to certain provisions the Company will on the 1st day of April, 1963 and quarter-yearly thereafter enter on its books to the credit of a purchase fund for the purchase, subject to certain provisions, of Series A Preference Shares for cancellation (if obtainable) an amount equal to one and one-quarter per cent (1¼%) of the aggregate par value of the greatest number of Series A Preference Shares theretofore issued.

Conversion Privilege

Each Series A Preference Share will be convertible at the option of the holder at any time prior to 5.00 p.m., Eastern Standard Time on December 1, 1970 into the following respective numbers of fully paid and non-assessable Common Shares of the Company:

On or before December 1, 1965	1	thereafter and on or before December 1, 1968 . .	4/5
thereafter and on or before December 1, 1966 . .	14/15	thereafter and on or before December 1, 1969 . .	11/15
thereafter and on or before December 1, 1967 . .	13/15	thereafter and on or before December 1, 1970 . .	2/3

If upon the conversion of one or more Series A Preference Shares at the rates herein provided into the maximum number of Common Shares into which such Series A Preference Shares are convertible, a holder of Series A Preference Shares becomes entitled to a fraction of a Common Share, a bearer fractional certificate will be issued in respect thereof.

Transfer Agent and Registrar:

The Canada Trust Company, Montreal, Toronto, Winnipeg and Vancouver

The listing of the Series A Preference Shares and Common Shares on The Toronto Stock Exchange has been approved subject to the filing of documents and evidence of satisfactory distribution.

PRICE: \$10 per unit flat

We, as principals, offer these units, subject to prior sale and change in price, if, as and when issued and accepted by us and subject to the approval of all legal matters on behalf of the Company by Messrs. McCarthy & McCarthy, Toronto, Ontario, Special Counsel to the Company, and by Messrs. Solomon and Samuel, Toronto, Ontario, Solicitors for the Company, and on our behalf by Messrs. Blake, Cassels & Graydon, Toronto, Ontario.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that interim share certificates for the Series A Preference Shares and the Common Shares (exchangeable for definitive share certificates representing Series A Preference Shares and Common Shares respectively when available) and bearer fractional certificates representing fractions of Common Shares will be available for delivery on or about January 23, 1961.

The following information has been supplied by the President of Exquisite Form Brassiere (Canada) Limited.

The Company

Exquisite Form Brassiere (Canada) Limited (herein sometimes referred to as the "Company") was incorporated under the laws of the Province of Ontario on December 16, 1949.

The Company was formed as the Canadian affiliate of Exquisite Form Brassiere, Inc. (herein referred to as the "American corporation") a United States company engaged in the manufacture and sale of ladies' undergarments, principally brassieres and girdles. Prior to the Company's formation, the American corporation had been selling ladies' foundation garments in Canada for some four years. Since 1950 the Company has enjoyed the exclusive Canadian rights to manufacture and sell all products developed by the American corporation. The Company also sells products of its own design.

In addition to its Canadian business, the Company, through two wholly owned subsidiaries, has substantial operations in West Germany and Venezuela. Business was commenced in each of those countries in 1958 as a branch operation of the Company. The Venezuelan branch of the business was subsequently taken over by a wholly owned subsidiary (Exquisite Form Brassiere de Venezuela S.A.) on December 7, 1960, and the West German branch of the business was taken over by a wholly owned subsidiary (Exquisite Form Brassiere GmbH) on July 1, 1960. The Company also owns all the issued and outstanding shares of Malibu Fabrics of Canada Ltd. (herein called "Malibu") a company incorporated in the Province of Quebec. The said shares were acquired in 1958. Dividends paid to the Company by its subsidiaries will be received by it free of Canadian income tax.

PRODUCTS AND DISTRIBUTION

The principal products of the Company and its foreign subsidiaries are (1) various styles of brassieres sold under a number of registered trade names, including, among others, "Exquisite Form", "Floating Action", "Just A'Just", "Festival", "Comfort Zone", "Equalizer" and "Hi-Appeal" and (2) girdles designated by the trade names "Secret Lady" and "Silf Skin". In total, approximately 40 styles of brassieres and 25 styles of girdles are manufactured and sold. A relatively new product which is being well accepted is a type of underwear panty known as "Magic Lady" which is the beginning of a complete new type of underwear that slims.

Quality control is an important feature of the manufacturing of these products. All incoming raw materials are subjected to a rigid examination and there is a continuous inspection system in force throughout all phases of the manufacturing operation, culminating with a final inspection of the finished products before they are approved for transfer to inventory. All materials are cut by die which gives the cutting process a precision not otherwise possible.

Large and comprehensive warehouse stocks are maintained to meet customer demand on short notice and retailers are kept well stocked. Every effort is made to ship goods to retailers on the same day their orders are received. Products are not sold to jobbers but directly to retail outlets. The Company and its subsidiaries are selling to approximately 11,000 active accounts at the present time, over half of which are in Canada. A sales force of approximately 70 employees is maintained and retail accounts are regularly visited in accordance with a planned call schedule. A sales incentive plan designed to benefit the Company and its salesmen alike is in effect. Sales are stimulated by a vigorous and continuous program of national advertising and sales promotion, directed to both consumer and retailer. The advertising is carried through television, radio, newspapers and other media. Sales promotions are designed to assist the retailer in selling the Company's products. As well as sales promotions the prepackaging of goods and forceful retail displays are aimed at creating impulse sales.

Malibu manufactures upholstery and drapery fabrics and elastic fabric for use in the manufacture of brassieres and bathing suits. Approximately 50% of its production is sold to the Company.

MANUFACTURING FACILITIES

The products of the Company and its subsidiaries are manufactured in Toronto, Ontario; Montreal and St. Hyacinthe, Quebec; Caracas, Venezuela and Duisburg, West Germany. The factory buildings in Canada are leased while those in Venezuela and West Germany are owned by the subsidiary companies. Total manufacturing, warehouse and office space occupied by the Company and its subsidiaries is approximately 170,000 sq. ft. and the plant in West Germany is being enlarged at the present time. This new addition is expected to be completed about May 1, 1961 and will add approximately 30,000 sq. ft. to the West German manufacturing facilities.

At the present time there are approximately 575 machines of various types being used in the manufacturing process. Additional machinery will be required upon completion of the West German plant expansion.

Approximately 925 people are employed by the Company and its subsidiaries. The Company and its subsidiaries have always maintained excellent relations with their employees. Benefits for salaried employees include a pension plan, medical plan and group insurance. The current contract with the Canadian union expires in February, 1962 and the Company will have the option at that time of renewing the contract, without change, for a further period of two years. Union relations in Venezuela and West Germany are subject to some extent to government regulation and have always been satisfactory.

ASSOCIATION WITH AMERICAN CORPORATION

There are some 500 companies in the girdle and brassiere industry in the United States with a total sales volume of approximately \$500,000,000 a year and the American corporation is believed to be one of the three companies leading the industry in volume of brassiere sales in the U.S.A. In addition to those countries in which the Company manufactures and sells Exquisite Form products the American corporation and its subsidiary and associated companies sell Exquisite Form products in the U.S.A., the United Kingdom, Ireland, Australia, New Zealand, South Africa, Mexico, Puerto Rico, Bolivia, the Dominican Republic, Ecuador, Haiti, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

The Company and its subsidiaries derive the following benefits from their association with the American corporation:

- (a) The exclusive right to manufacture and sell in their respective operating areas all products designed by the American corporation.

- (b) Access to the results of continuing market research.
- (c) Sales impetus resulting from the extensive advertising campaigns conducted by the American corporation. These include advertising in national magazines and television commercials carried by television stations within range of all major Canadian cities near the Canada - U.S. border. The composition of most of the advertising done in Canada is originated and largely paid for by the American corporation.
- (d) Raw material research on fabrics of all types, their uses and available sources of supply. This includes complete laboratory facilities for the testing of fabrics as to durability, shrinkage and any other qualities affecting their use.
- (e) Access to any new developments in factory equipment or manufacturing processes which will assist in improving product quality and manufacturing efficiency.

For the above services the Company and its foreign subsidiaries each pay the following amounts:

- (1) to the American corporation, $12\frac{1}{2}\%$ of the annual net profit before income taxes or 3% of the net sales, whichever is the lesser, and
- (2) to Silf Skin Inc., an affiliate of the American corporation, 10% of the annual sales value of Silf Skin girdles.

GROWTH AND OUTLOOK

The Company's sales have grown every year since its incorporation to the point where its sales of brassieres currently total approximately 25% , and its sales of girdles total approximately 15% , of the Canadian market. The subsidiary in Venezuela already ranks first in the sales of brand-name foundation garments in that country, where its products have won government awards for quality, style and merchandising. The sales potential for Western Germany is considered to be excellent. In view of that country's membership in the Common Market, the Company's wholly-owned subsidiary located there will enjoy tariff advantages when selling its products in France, Italy, Holland, Belgium and Luxembourg, the other members of the Common Market. Sales have been made in all of these countries except Luxembourg and are expected to increase greatly upon completion of the addition to the West German plant.

Capitalization

Upon completion of the present financing, the capitalization of the Company will be:

	<u>Authorized</u>	<u>Issued and Outstanding</u>
First Preference Shares with a par value of \$10 each, issuable in series	300,000 shares	
6% Cumulative Redeemable Convertible First Preference Shares, Series A		150,000 shares
5% Non-cumulative Non-voting Redeemable Second Preference Shares with a par value of \$50 each.....	20,000 shares	13,000 shares
Common Shares without par value.....	1,000,000 shares	356,013 shares

Purpose of Issue

The net proceeds from the sale of the 150,000 6% Cumulative Redeemable Convertible First Preference Shares, Series A and 30,000 Common Shares will be used, to the extent of approximately \$619,158, for the repayment of bank indebtedness. The balance will be added to the working capital of the Company to be used for general corporate purposes.

Consolidated Net Tangible Assets

According to the accompanying Pro Forma Consolidated Balance Sheet of the Company and its wholly owned subsidiary companies as at August 31, 1960 the consolidated net tangible assets amounted to approximately \$17 per Series A Preference Share.

Summary of certain provisions attaching to the Series A Preference Shares

RIGHTS ON LIQUIDATION

1. In the event of the liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs the holders of Series A Preference Shares shall be entitled to \$10 per share plus all accrued and unpaid preferential dividends before any amount shall be paid or any property or assets of the Company distributed to the holders of shares of any class ranking junior to the Series A Preference Shares; thereafter the holders of Series A Preference Shares shall not be entitled to share in any further distribution of the property or assets of the Company.

RIGHT OF COMPANY TO PURCHASE

2. Subject to certain provisions the Company may at any time or times purchase (if obtainable) for cancellation all or any part of the Series A Preference Shares outstanding from time to time at a price not exceeding the price at which, at the date of purchase, such shares are redeemable (including accrued and unpaid dividends) plus costs of purchase.

RESTRICTIONS ON PAYMENT OF DIVIDENDS, REDEMPTIONS, ETC.

3. The Company shall not declare, pay or set apart any dividends on any shares of the Company ranking junior to the First Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on all the First Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment.

4. No series of First Preference Shares shall be authorized having a dividend rate exceeding 7% per annum.

5. The Company shall not redeem, purchase, reduce or otherwise pay off any shares ranking junior to the First Preference Shares unless all dividends, up to and including the dividend payable for the last completed quarter on each series of the First Preference Shares then issued and outstanding, shall have been declared and paid or set apart for payment.

6. The Company shall not

- (i) declare or pay any dividends (other than stock dividends in shares of the Company ranking junior to the Series A Preference Shares) on any of its shares at any time outstanding and ranking junior to the Series A Preference Shares; or
- (ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding and ranking junior to the Series A Preference Shares (except out of the proceeds of an issue of shares ranking junior to the Series A Preference Shares made at any time after January 1, 1961 and prior to or contemporaneously with any such redemption, reduction, purchase or payment); or
- (iii) elect to pay any tax on undistributed income under the provisions of Section 105 of the Income Tax Act as now enacted or as the same may from time to time be amended or re-enacted or elect to pay any tax under any similar provisions

if immediately after giving effect to such action the aggregate amount received by the Company in respect of all shares of its capital then outstanding and ranking junior to the Series A Preference Shares plus consolidated net earnings available for dividends (as defined) of the Company and its subsidiaries would be reduced to less than the aggregate par value of all First Preference Shares then outstanding.

VOTING RIGHTS

7. The holders of the Series A Preference Shares shall not have any voting rights nor shall they be entitled to receive notice of or attend shareholders' meetings (except that they shall be entitled to notice of meetings of the shareholders to authorize the dissolution of the Company or the sale of its undertaking or a substantial part thereof) unless dividends on the First Preference Shares of any series become in arrears to the extent of 6 quarterly dividends, whereupon, until all arrears of dividends on the First Preference Shares have been paid, such holders shall be entitled to receive notice of and to attend all shareholders' meetings and to one vote in respect of each Series A Preference Share held and, together with the holders of all other outstanding First Preference Shares, shall be entitled to elect 2 directors if the Company's board of directors consists of 7 or fewer directors or 3 directors if the board consists of more than 7 directors.

ISSUE OF ADDITIONAL FIRST PREFERENCE SHARES

8. The authorized but unissued First Preference Shares shall be issuable in one or more series, with such provisions as the directors of the Company may by resolution determine and as may be set forth in supplementary letters patent. The First Preference Shares of each series shall rank on a parity with the First Preference Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Company. No class of shares is to be created or issued ranking as to capital or dividends prior to or on a parity with the First Preference Shares without the approval of the holders of the Series A Preference Shares given in a specified manner provided that the Company may issue additional series of the authorized First Preference Shares without such approval.

The Company shall not issue any First Preference Shares in addition to the 150,000 Series A Preference Shares without the prior approval of the holders of the Series A Preference Shares given in a specified manner unless (a) the consolidated net tangible assets (as defined) of the Company and its subsidiaries amount to at least 2 times the aggregate par value of all First Preference Shares to be outstanding immediately after such issue and (b) the consolidated net earnings (as defined) of the Company and its subsidiaries for any twelve (12) consecutive months out of the eighteen (18) months next preceding the date of issuance have been at least equal to $3\frac{1}{2}$ times the annual dividend requirements on all the First Preference Shares to be outstanding immediately after such issue.

PURCHASE FUND

9. The provisions relating to the purchase fund for the benefit of the holders of the Series A Preference Shares are summarized on the facing page of this prospectus.

REDEMPTION RIGHTS

10. The provisions relating to the redemption of the Series A Preference Shares are summarized on the facing page of this prospectus.

CONVERSION RIGHTS

11. The conversion rights attaching to the Series A Preference Shares are summarized on the facing page of this prospectus.

RESTRICTIONS ON INDEBTEDNESS, ETC.

12. Subject to certain provisions, the Company shall not without, but may from time to time with, the approval of the holders of the Series A Preference Shares given in a specified manner

- (a) issue or become liable on any funded indebtedness (as defined); or
- (b) permit any subsidiary to guarantee any indebtedness or dividends of or give any other guarantee on behalf of any person, firm or corporation other than the Company or another subsidiary; or
- (c) sell or otherwise dispose of any funded indebtedness or shares of any subsidiary or permit any subsidiary to issue, sell or otherwise dispose of or to become liable on (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) any funded indebtedness or shares of such subsidiary or of any other subsidiary; or
- (d) sell or otherwise dispose of or permit any subsidiary company to sell or otherwise dispose of (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) by conveyance, transfer, lease or otherwise the assets and undertaking of the Company or of a subsidiary as the case may be as an entirety or substantially as an entirety;

provided always that the foregoing restrictions shall not apply to nor operate to prevent

- (i) the giving of security or securities (except on fixed assets) by the Company or a subsidiary to any bank or banks or to any other loaning institution for present or future debts or liabilities of the Company or such subsidiary to such bank or banks or loaning institution provided that such debts or liabilities do not constitute funded indebtedness; or
- (ii) the sale or other disposition, in whole at any time or in part from time to time, of the shares or assets of Malibu Fabrics of Canada Ltd., a company incorporated under the laws of the Province of Quebec by Letters Patent dated the 6th day of November A.D. 1947; or

- (iii) the deposit of cash or obligations of the Government of Canada in connection with contracts or tenders in the ordinary course of business or to secure workmen's compensation, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incident to current construction, mechanics', warehousemen's, carriers' and other similar liens; or
- (iv) the extension, renewal or refunding by a subsidiary of any funded indebtedness of such subsidiary to the extent of the principal amount of such funded indebtedness at the time of such extension, renewal or refunding provided that such funded indebtedness was funded indebtedness of the subsidiary at the time when such subsidiary became a subsidiary; or
- (v) any subsidiary guaranteeing the obligations (other than funded indebtedness) of customers and suppliers in the ordinary course of business; or
- (vi) the extension, renewal or refunding by the Company of any funded indebtedness of the Company to the extent of the principal amount of such funded indebtedness at the time of such extension, renewal or refunding; or
- (vii) the securing from time to time by the Company and/or by any subsidiary of any funded indebtedness permitted under (iv) or (vi) above.

The foregoing restrictions shall not prevent the Company or any subsidiary company or companies creating, issuing or becoming liable on funded indebtedness to the extent that the consolidated funded indebtedness (as defined) of the Company and its subsidiary companies to be outstanding immediately after such creation, issuance or becoming liable, as the case may be, and irrespective of when such indebtedness or liability was incurred shall not thereby be increased to a sum greater than 40% of an amount determined by adding to the consolidated net tangible assets (as defined) of the Company and its subsidiary companies the principal amount of all consolidated funded indebtedness of the Company and its subsidiary companies which is to be outstanding immediately after such creation, issuance or becoming liable, as the case may be, and the Company and/or any subsidiary may give security from time to time in respect of any such funded indebtedness.

The foregoing statement with respect to the Series A Preference Shares is not complete and is qualified in its entirety by reference to the full provisions attached to the First Preference Shares as a class and to the Series A Preference Shares which appear in the Statutory Information forming part of this prospectus.

EXQUISITE FORM BRASSIERE (CANADA) LIMITED

(Incorporated under the laws of the Province of Ontario)

and its wholly owned Subsidiary Companies

Consolidated Statement of Earnings (Note G)

Year	Profit (Loss) from Operations Before Depreciation and Taxes on Income	Depreciation	Taxes on Income	Net Profit (Loss) from Operations
December 31, 1950 (Note A).....	\$(30,205)	—	—	\$(30,205)
December 31, 1951.....	25,183	\$ 7,328	\$ 519 (Note A)	17,336
December 31, 1952.....	58,971	6,016	19,609 (Note A)	33,346
December 31, 1953.....	93,991	35,237	24,298	34,456
December 31, 1954 (Note B).....	267,869	42,656	101,589	123,624
February 29, 1956.....	272,657	48,207	103,346	121,104
February 28, 1957.....	287,394	43,788	112,344	131,262
February 28, 1958 (Note C).....	334,342	43,066	136,462	154,814
February 28, 1959 (Note D).....	123,125 (Note E)	61,219	9,740 (Note F)	52,166
February 29, 1960.....	376,437	80,289	139,744	156,404
August 31, 1960 (six months)	384,907	34,105	173,000	177,802

Notes to the Consolidated Statement of Earnings to August 31, 1960

- (A) The Company commenced operations in 1950 and suffered a loss of \$30,205. This loss carried forward offset Federal taxable income of \$17,855 in 1951 and \$12,350 in 1952.
- (B) The fiscal year end was changed from December 31, 1955 to February 28, 1955, and the operations for the two-month period, January and February, 1955 are included in 1954 figures. The net profit from operations for this fourteen-month period is as follows:
- | | |
|-----------------------|------------------|
| 1954 (12 months)..... | \$105,591 |
| 1955 (2 months)..... | 18,033 |
| | <u>\$123,624</u> |
- (C) On January 1, 1958, the Company started an operating branch in Germany, and took over the operations of a plant in Venezuela. Profits and losses for these branches are included in the consolidated statement of earnings from January 1, 1958. Both these branches suffered losses of considerable amounts in 1958 and 1959.
- (D) The profits and losses of Malibu Fabrics of Canada Ltd., a wholly owned subsidiary acquired in January 1958, are included in the consolidated statement of earnings from March 1, 1958.
- (E) Profit from operations includes a loss of \$138,029 suffered in a fire in the Venezuelan plant on March 28, 1958.
- (F) Income taxes in 1959 were reduced in the aggregate by the following adjustments:
1. Re-opening expenses (Venezuela) were written off.
 2. Fire loss adjustments (Venezuela) on fixed assets were added back.
 3. Depreciation (Venezuela and Germany) claimed for tax purposes exceeded that recorded in the books.
- (G) The attached consolidated statement of earnings does not include certain profits and losses on foreign exchange, investments and disposal of fixed assets. In the aggregate, such profits exceed losses by \$3,922.

Auditors' Report

To the Directors of

EXQUISITE FORM BRASSIERE (CANADA) LIMITED:

We have examined the accompanying consolidated statement of earnings of Exquisite Form Brassiere (Canada) Limited and its subsidiary companies, Malibu Fabrics of Canada Ltd. and Exquisite Form Brassiere GmbH, Duisberg, for the ten fiscal years ended February 29, 1960 and the six months ended August 31, 1960. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of earnings, supplemented by the attached notes and by the attached notes to the consolidated and pro forma consolidated balance sheets, presents fairly the results of operations of the Company and its wholly owned subsidiary companies for the above fiscal years and six months, in accordance with generally accepted accounting principles applied on a consistent basis.

TORONTO, Ontario,
December 29, 1960.

(Signed) WM. EISENBERG & Co.,
Chartered Accountants.

The pro forma consolidated balance sheet gives effect to the following:

- (a) The issue to the Company of Supplementary Letters Patent changing its authorized share capital into 300,000 First Preference Shares of the par value of \$10 each, issuable in series, the first series of which consists of 150,000 6% Cumulative Redeemable Convertible First Preference Shares, Series A, 20,000 5% Non-cumulative Non-voting Redeemable Second Preference Shares of the par value of \$50 each, and 1,000,000 Common Shares without par value, of which 320,013 Common Shares (into which all the presently issued and outstanding shares in the capital of the Company will have been converted) will be outstanding as fully paid and non-assessable.

Assets			
		Consolidated	Pro Forma Consolidated
CURRENT ASSETS			
Cash on Hand and in Banks.....	\$	9,484	\$ 837,075
Accounts Receivable less Allowance for Doubtful Accounts (\$58,838).....		1,398,972	1,398,972
Inventories—Lower of Cost or Market (Note 2).....		1,190,836	1,190,836
Prepaid Expenses.....		28,990	28,990
Claim Receivable—City of Montreal (Note 2).....		16,622	16,622
Advances to Affiliates.....		31,123	31,123
Loan Due from a Director.....		86,749	
		<u>\$2,762,776</u>	<u>\$3,503,618</u>
FIXED ASSETS—at Cost			
Land and Buildings.....	\$	377,642	\$ 377,642
Equipment, Display Fixtures, Leasehold Improvements and Automotive Equipment.....		667,939	667,939
Patents, Trade Marks and Designs.....		151,056	151,056
Film Distribution Rights (Note 3).....		74,402	74,402
		<u>\$1,271,039</u>	<u>\$1,271,039</u>
Less: Accumulated Depreciation (Note 4).....		407,370	407,370
		<u>\$ 863,669</u>	<u>\$ 863,669</u>
OTHER ASSETS			
Excess of Cost over Book Value of shares in subsidiary.....	\$	765	\$ 765
Investments at Cost—no quoted values.....		59,172	59,172
Special Promotion (Note 5).....		125,736	125,736
Re-opening Expenses (Note 6).....		86,339	86,339
		<u>\$ 272,012</u>	<u>\$ 272,012</u>

Approved on behalf of the Board:

(Signed) GARSON REINER, Director

(Signed) HARRY L. SOLOMON, Director

\$3,898,457 \$4,639,299

E (CANADA) LIMITED

(Incorporated in the Province of Ontario)

Subsidiary Companies

Consolidated Balance Sheets

As at February 28, 1960

- (b) The issue and sale of 150,000 Series A First Preference Shares of the par value of \$10 each, and of 36,000 Common Shares without par value for \$1,501,800 in cash less commission of \$91,800.
- (c) The issue to Exquisite Form Brassiere, Inc., as fully paid and non-assessable, of 13,000 Second Preference Shares in payment of the deferred liability of \$646,355 and of the advances from affiliates of \$3,645.
- (d) The partial repayment of bank indebtedness by \$619,158.
- (e) The repayment on or before February 28, 1961 of a loan of \$86,749 due from a director.
- (f) The payment of legal, audit and other expenses of issue estimated at \$50,000 and the reduction of income taxes payable by virtue thereof.

Liabilities

	Consolidated	Pro Forma Consolidated
CURRENT LIABILITIES		
Bank Overdrafts.....	\$ 120,283	\$ 25,178
Bank Loans—Secured.....	643,425	119,372
Accounts Payable and Accrued Liabilities.....	575,109	575,109
Notes Payable.....	142,773	142,773
Advances from Affiliates.....	615,726	612,081
Income Taxes Payable (Note 4).....	179,842	154,842
	<u>\$2,277,158</u>	<u>\$1,629,355</u>
DEFERRED LIABILITIES		
Due to Exquisite Form Brassiere, Inc.....	\$ 646,355	
CAPITAL AND SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized		
1,400 Class A non-voting preference shares of the par value of \$100 each (redeemable at par).....	\$ 140,000	
50 Class B non-voting preference shares of the par value of \$10 each.....	500	
3,350 Common Shares of the par value of \$10 each.....	33,500	
	<u>\$ 174,000</u>	
Issued and Fully Paid		
50 Class B Preference Shares.....	\$ 500	
61 Common Shares.....	610	
	<u>\$ 1,110</u>	
PRO FORMA CAPITAL STOCK		
Authorized		
300,000 First Preference Shares of the par value of \$10 each, issuable in series.....	\$3,000,000	
20,000 5% Non-cumulative Non-voting Redeemable Second Preference Shares of the par value of \$50 each.....	1,000,000	
1,000,000 Common Shares without par value (Note 7).....	1,000,000	
	<u>\$5,000,000</u>	
Issued and Fully Paid		
150,000 6% Cumulative Redeemable Convertible First Preference Shares, Series A.....		\$1,500,000
13,000 Second Preference Shares.....		650,000
356,013 Common Shares (Note 7).....		2,910
		<u>\$2,152,910</u>
RETAINED EARNINGS.....	<u>973,834</u>	<u>857,034</u>
	<u>\$ 974,944</u>	<u>\$3,009,944</u>
	<u>\$3,898,457</u>	<u>\$4,639,299</u>

EXQUISITE FORM BRASSIERE (CANADA) LIMITED

(Incorporated under the laws of the Province of Ontario)

and its wholly owned Subsidiary Companies

Notes to the Consolidated and Pro Forma Consolidated Balance Sheets as at August 31, 1960

1. GERMAN AND VENEZUELAN ACCOUNTS

These have been consolidated with Canadian accounts based on statements prepared and audited in Germany by Kontinentale Treuhandgesellschaft Mbh., German Certified Public Accountants, and in Venezuela by Bauer and Lund, Auditors. For the purpose of these accounts, one German D. Mark was converted into 23.26 cents Canadian, and one Venezuelan Bolivar into 28.99 cents Canadian as at August 31, 1960. On July 1, 1960, the German branch was taken over by a wholly owned subsidiary company, Exquisite Form Brassiere GmbH, Duisberg. On December 7, 1960, the Venezuelan branch was taken over by a wholly owned subsidiary company, Exquisite Form Brassiere de Venezuela S.A.

Effective November 8, 1960, the Venezuelan Government passed a new Exchange Control Law under which the purchase of dollars at the official rate of exchange for the purposes (among others) of the payment of dividends, interest and the repayment of debt is subject to the control of the Central Bank of Venezuela. There is, however, a recognized free market in foreign exchange where dollars may be purchased at a rate higher than the official rate of exchange.

Germany has no currency exchange restrictions, its currency being freely convertible into Canadian dollars.

2. WHOLLY OWNED SUBSIDIARY—MALIBU FABRICS OF CANADA LTD.

For consolidation purposes, we have relied on statements prepared and audited by Stein, Levine & Co., Chartered Accountants, Montreal. They have accepted the merchandise inventory of \$67,954 as submitted and certified to by a responsible official of the Company. The claim for flood damages filed against the City of Montreal in the 1959 fiscal period has not yet been settled.

3. FILM DISTRIBUTION RIGHTS

As at August 31, 1960, these rights were owned by Agencia Telex Compania Anomina, a wholly owned subsidiary of Exquisite Form Brassiere (Canada) Limited in Venezuela, and this amount represents the net cost of the investment and advances to August 31, 1960. This Company is to be wound up and all its assets (film rights) transferred to Exquisite Form Brassiere de Venezuela S.A. There are no outstanding liabilities in Agencia Telex Compania Anomina. We have accepted the amounts shown by the Venezuelan auditors, and have received a certificate from a responsible official that the value of the film rights owned exceeds the investment and advances made by Exquisite Form Brassiere (Canada) Limited. As at August 31, 1960, no depreciation had been taken on these film rights.

4. ACCUMULATED DEPRECIATION

Income taxes have been reduced by approximately \$1,800 in the six months ended August 31, 1960, and by \$9,800 in total to date by claiming for tax purposes more depreciation than was recorded in the books of the Company. This amount may be payable in the future when the amounts charged for depreciation will be greater in the books than for tax purposes.

5. SPECIAL PROMOTION—VENEZUELA

This represents amounts spent on "Bra Bars" and other advertising material. Since these expenditures are expected to benefit future periods, they have been set up as an asset, and amortized at ten percent a year, commencing in the fiscal year ended February 29, 1960.

6. RE-OPENING EXPENSES—VENEZUELA

These represent the cost of moving to a new plant immediately after a fire suffered in March, 1958, and have been written off for Canadian income tax purposes in 1959. Since the Company moved to its new premises in October, 1960, this amount will be written off in the current period.

7. CONVERSION PRIVILEGE

There are 150,000 Common Shares without par value reserved for the conversion of the 150,000 6% Cumulative Redeemable Convertible First Preference Shares, Series A.

Auditors' Report

To the Directors of
EXQUISITE FORM BRASSIERE (CANADA) LIMITED:

We have examined the accompanying consolidated and pro forma consolidated balance sheets of Exquisite Form Brassiere (Canada) Limited and its subsidiary companies, Malibu Fabrics of Canada Ltd. and Exquisite Form Brassiere GmbH, Duisberg as at August 31, 1960, consolidated on the basis set out in notes 1 and 2 thereto. The balance sheets of Exquisite Form Brassiere GmbH, Duisberg, the Venezuelan branch of Exquisite Form Brassiere (Canada) Limited, and Malibu Fabrics of Canada Ltd., with the reports thereon of their respective auditors, have been accepted by us for inclusion in the accompanying consolidated and pro forma consolidated balance sheets. With respect to Exquisite Form Brassiere (Canada) Limited, Canadian operations, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, based on the examinations and reports of the accountants referred to above, and supplemented by the attached notes, the accompanying consolidated balance sheet presents fairly the financial position of the Company and its wholly owned subsidiary companies as at August 31, 1960 in accordance with generally accepted accounting principles applied on a consistent basis. In our opinion, based on the above remarks and after giving effect to the changes set forth above, the accompanying pro forma consolidated balance sheet presents fairly the financial position of the Company and its wholly owned subsidiary companies as at August 31, 1960 in accordance with generally accepted accounting principles.

TORONTO, Ontario
December 29, 1960.

(Signed) WM. EISENBERG & Co.,
Chartered Accountants.

Statutory Information

(a) The full name of the Company and the address of its head office is Exquisite Form Brassiere (Canada) Limited, (herein referred to as the “Company”), 215 Spadina Avenue, Toronto, Ontario, Canada.

(b) The Company was incorporated under the laws of the Province of Ontario by letters patent dated December 16, 1949. Supplementary letters patent dated April 27, 1954, and supplementary letters patent dated December 29, 1960, have been issued to the Company and supplementary letters patent to be dated December 30, 1960 are to be issued to the Company.

(c) The general nature of the business actually transacted by or to be transacted by the Company is the manufacture and sale of ladies’ undergarments, principally brassieres and girdles.

(d) The names in full, present occupations and home addresses in full of the directors and officers of the Company are as follows:

Directors

<i>Name</i>	<i>Occupation</i>	<i>Residence Address</i>
GARSON REINER.....	<i>Executive</i>	East Sunnyside Lane, Irvington on the Hudson, New York.
HARRY LOUIS SOLOMON.....	<i>Executive</i>	81 Ridge Hill Drive, Toronto, Ontario.
JOHN SMITH GAIRDNER.....	<i>Investment Dealer</i>	1502 Lakeshore Highway East, Oakville, Ontario.
JOSEPH HARRY GAYNE.....	<i>Executive</i>	207 Searle Avenue, Downsview, Ontario.
JOHN HOWARD HAWKE.....	<i>Investment Dealer</i>	303 Rose Park Drive, Toronto, Ontario.
PHILLIP PETER HENRY.....	<i>Executive</i>	193 Hillhurst Avenue, Toronto, Ontario.
BENJAMIN OREMLAND.....	<i>Attorney</i>	120 East 79th Street, New York, New York.
ROBERT HERMAN SOLOF.....	<i>Executive</i>	927 Middleneck Road, Kingspoint, Long Island, New York.
CARL MORTON SOLOMON.....	<i>Barrister and Solicitor</i>	507 Atlas Avenue, Toronto, Ontario.

Officers

GARSON REINER.....	<i>Chairman of the Board</i>	East Sunnyside Lane, Irvington on the Hudson, New York.
HARRY LOUIS SOLOMON.....	<i>President</i>	81 Ridge Hill Drive, Toronto, Ontario
PHILLIP PETER HENRY.....	<i>Vice-President</i>	193 Hillhurst Avenue, Toronto, Ontario.
JOSEPH HARRY GAYNE.....	<i>Secretary-Treasurer</i>	207 Searle Avenue, Downsview, Ontario.
ROBERT HERMAN SOLOF.....	<i>Assistant Secretary-Treasurer</i>	927 Middleneck Road, Kingspoint, Long Island, New York.

(e) Messrs. Wm. Eisenberg & Co., Chartered Accountants, 425 University Avenue, Toronto, Ontario, are the Auditors of the Company.

(f) (i) The transfer agent and registrar for the 6% Cumulative Redeemable Convertible First Preference Shares, Series A and for the Common Shares in the capital of the Company is The Canada Trust Company at its offices in the Cities of Montreal, Toronto, Winnipeg and Vancouver, Canada.

(ii) The Company acts as its own transfer agent and registrar for the 5% Non-cumulative Non-voting Redeemable Second Preference Shares in the capital of the Company.

(g) Prior to the issue of the supplementary letters patent dated December 29, 1960 and the supplementary letters patent to be dated December 30, 1960 referred to in paragraph (b) hereof the authorized capital of the Company consisted of 1,400 Class A non-voting preference shares of the par value of \$100 each, 50 Class B non-voting preference shares of the par value of \$10 each and 3,350 common shares of the par value of \$10 each of which all of the said Class B non-voting preference shares and 61 of the said common shares were issued and outstanding as fully paid and non-assessable. The authorized capital of the Company after the issue of the said supplementary letters patent will consist of 300,000 First Preference Shares with a par value of \$10 each, issuable in series, 20,000 5% Non-cumulative Non-voting Redeemable Second Preference Shares with a par value of \$50 each and 1,000,000 Common Shares without par value. None of the said First Preference Shares have been issued. Of the said 20,000 5% Non-cumulative Non-voting Redeemable Second Preference Shares, 13,000 have been issued and are now outstanding as fully paid and non-assessable. Of the said 1,000,000 Common Shares, 320,013 have been issued and are now outstanding as fully paid and non-assessable. One Hundred and Fifty Thousand of the said First Preference Shares will be designated as 6% Cumulative Redeemable Convertible First Preference Shares, Series A (hereinafter called the “Series A Preference Shares” and being the first series of the said class of First Preference Shares) and are proposed to be issued as referred to in paragraph (p) hereof and such 150,000 Series A Preference Shares will be allotted for issue as referred to in such paragraph.

(h) The following is a description of the respective voting rights, preferences, conversion and exchange rights, rights to dividends, profits or capital of each class of shares of the Company, including redemption rights and rights on liquidation or distribution of capital assets:

FIRST PREFERENCE SHARES

THE FIRST PREFERENCE SHARES WITH A PAR VALUE OF \$10 EACH (HEREINAFTER CALLED “FIRST PREFERENCE SHARES”) SHALL HAVE ATTACHED THERETO, AS A CLASS, PREFERENCES, RIGHTS, CONDITIONS, RESTRICTIONS, LIMITATIONS AND PROHIBITIONS SUBSTANTIALLY AS FOLLOWS:

(a) The First Preference Shares may at any time or from time to time be issued in one or more series, each series to consist of such number of shares as may before the issue thereof be determined by the directors;

the directors of the Company may (subject as hereinafter provided) by resolution fix from time to time before the issue thereof the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the First Preference Shares of each series including, without limiting the generality of the foregoing, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption, conversion rights (if any) and any sinking fund or other provisions, the whole subject to the issue of Supplementary Letters Patent setting forth the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the First Preference Shares of such series;

(b) The First Preference Shares of each series shall be entitled to preference over the Second Preference Shares and the Common Shares of the Company, and any other shares ranking junior to the First Preference Shares, with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs and may also be given such other preferences over the Second Preference Shares and the Common Shares of the Company and any other shares ranking junior to the First Preference Shares as may be determined as to the respective series authorized to be issued;

(c) The First Preference Shares of each series shall rank on a parity with the First Preference Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs; no series of First Preference Shares shall be authorized which shall have a dividend rate in excess of seven per cent (7%) per annum on the amounts from time to time paid up thereon or be entitled to receive upon liquidation, dissolution or winding up or upon redemption a sum in excess of one hundred and seven per cent (107%) of the amounts paid up thereon plus a sum equivalent to all unpaid dividends accumulated thereon;

(d) No dividends shall at any time be declared or paid on or set apart for payment on any shares of the Company ranking junior to the First Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the First Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such shares of the Company ranking junior to the First Preference Shares nor shall the Company call for redemption or purchase for cancellation or reduce or otherwise pay off less than all of the First Preference Shares then outstanding or any shares of the Company ranking junior to the First Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the First Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, reduction or other payment off;

(e) The holders of the First Preference Shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting (but shall be entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof) unless and until the Company from time to time shall fail to pay in the aggregate six (6) quarterly dividends on the First Preference Shares of any one (1) series on the dates on which the same should be paid according to the terms thereof and unless and until six (6) quarterly dividends on such shares shall remain outstanding and be unpaid whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends; thereafter but only so long as any dividends on the First Preference Shares of any series remain in arrears the holders of the First Preference Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company and shall be entitled to one (1) vote in respect of each First Preference Share held and shall be entitled, voting separately and as a class, to elect two (2) members of the board of directors of the Company if the board consists of seven (7) or fewer directors and three (3) members of the board of directors if the board consists of more than seven (7) directors; nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors;

Notwithstanding anything contained in the by-laws of the Company, all directors of the Company in office at any time when the right to elect directors shall accrue to the holders of First Preference Shares as herein provided, or who may be elected as directors thereafter and before a meeting of shareholders hereinafter referred to shall retire at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right; any such general meeting of shareholders to elect directors may be called upon not less than twenty (20) days' written notice and shall be called by the secretary of the Company upon the written request of the holders of record of at least one-tenth (1/10) of the outstanding First Preference Shares; in default of the calling of such general meeting by the secretary within five (5) days after the making of such request, such meeting may be called by any holder of record of First Preference Shares; any vacancy or vacancies occurring among members of the board elected to represent the holders of First Preference Shares in accordance with the foregoing provisions may be filled by the board of directors with the consent and approval of the remaining director or directors elected to represent the holders of First Preference Shares but if there be no such remaining director or directors, the board may elect or appoint sufficient holders of First Preference Shares to fill the vacancy or vacancies; whether or not such vacancy or vacancies is or are so filled by the board, the holders of record of at least one-tenth (1/10) of the outstanding First Preference Shares shall have the right to require the Secretary of the Company to call a meeting of the holders of First Preference Shares for the purpose of filling the vacancy or vacancies and the provisions of this paragraph shall apply with respect to the calling of any such meeting;

Notwithstanding anything contained in the by-laws of the Company (i) upon any termination of the voting rights of the holders of the First Preference Shares, the term of office of the directors elected to represent the holders of First Preference Shares shall forthwith terminate and (ii) the holding of one (1) First Preference Share shall be sufficient to qualify a person for election or appointment as a director of the Company to represent the holders of First Preference Shares;

(f) The authorization required by subsection 4 of section 33 of The Corporations Act, 1953 to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the First Preference Shares as a class or to create preference shares ranking in priority to or on a parity with the First Preference Shares may be given by at least two-thirds (2/3) of the votes cast at a meeting of the holders of the First Preference Shares duly called for that purpose and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding First Preference Shares are present or represented by proxy; if at any such meeting the holders of a majority of the outstanding First Preference Shares

are not present or represented by proxy within one-half ($\frac{1}{2}$) an hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the chairman and not less than fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of First Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds ($\frac{2}{3}$) of the votes cast at such meeting shall constitute the authorization of the holders of the First Preference Shares referred to above; the formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Company with respect to meetings of shareholders.

SERIES A PREFERENCE SHARES

THE FIRST SERIES OF THE SAID CLASS OF FIRST PREFERENCE SHARES SHALL CONSIST OF ONE HUNDRED AND FIFTY THOUSAND (150,000) SHARES WITH A PAR VALUE OF \$10 EACH DESIGNATED "6% CUMULATIVE REDEEMABLE CONVERTIBLE FIRST PREFERENCE SHARES, SERIES A" (HEREINAFTER CALLED "SERIES A PREFERENCE SHARES") AND, IN ADDITION TO THE PREFERENCES, RIGHTS, CONDITIONS, RESTRICTIONS, LIMITATIONS AND PROHIBITIONS ATTACHING TO THE FIRST PREFERENCE SHARES AS A CLASS, SHALL HAVE ATTACHED THERETO PREFERENCES, RIGHTS, CONDITIONS, RESTRICTIONS, LIMITATIONS AND PROHIBITIONS SUBSTANTIALLY AS FOLLOWS:

(1) The holders of the Series A Preference Shares shall be entitled to receive and the Company shall pay thereon as and when declared by the board of directors out of the moneys of the Company properly applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of six per cent (6%) per annum payable quarterly on the first days of January, April, July and October in each year on the amounts from time to time paid up thereon; such dividends shall accrue from such date or dates not later than six (6) months after the respective dates of issue as may in the case of each issue be determined by the board of directors of the Company or in case no date be so determined then from the date of allotment; cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted) shall be issued in respect of such dividends; if on any dividend payment date the dividend payable on such date is not paid in full on all of the Series A Preference Shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Company on which the Company shall have sufficient moneys properly applicable to the payment of the same; the holders of the Series A Preference Shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for;

(2) In the event of the liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs the holders of the Series A Preference Shares shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid preferential dividends (which for such purpose shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which dividends have been paid up to the date of distribution) before any amount shall be paid or any property or assets of the Company distributed to the holders of any Second Preference Shares or Common Shares or shares of any other class ranking junior to the Series A Preference Shares; after payment to the holders of the Series A Preference Shares of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Company;

(3) Subject to the provisions of clause (d) of the provisions attaching to the First Preference Shares as a class, the Company may at any time or times purchase (if obtainable) for cancellation all or any part of the Series A Preference Shares outstanding from time to time in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Series A Preference Shares outstanding at the lowest price or prices at which, in the opinion of the directors, such shares are obtainable but not exceeding the price at which, at the date of purchase, such shares are redeemable as provided in clause (4) hereof plus costs of purchase; if upon any invitation for tenders under the provisions of this clause the Company shall receive tenders at the lowest price which the Company may be willing to pay for more Series A Preference Shares than the Company is prepared to accept, the Series A Preference Shares so tendered shall be purchased as nearly as may be pro rata (disregarding fractions) according to the number of Series A Preference Shares so tendered by each holder thereof;

(4) Subject to the provisions of clause (d) of the provisions attaching to the First Preference Shares as a class, the Company may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding Series A Preference Shares on payment for each share to be redeemed of the amount paid up on such share together with all accrued and unpaid preferential dividends (which for such purpose shall be calculated as if the dividends on the Series A Preference Shares were accruing for the period from the expiration of the last quarterly period for which dividends have been paid up to the date of such redemption);

(5) In any case of redemption of Series A Preference Shares under the provisions of clause (4) hereof, the Company shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Series A Preference Shares to be redeemed a notice in writing of the intention of the Company to redeem such Series A Preference Shares; such notice shall be mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption; such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Series A Preference Shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed; on or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the Series A Preference Shares to be redeemed the redemption price on presentation and surrender at the head office of the Company or any other place designated in such notice of the certificates representing the Series A Preference Shares so called for redemption; such payment shall be made by cheques payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted); if a part only of the Series A Preference Shares represented by any certificate shall be redeemed, a new certificate for the balance shall be issued at the expense of the Company; from and after the date specified for redemption in any such notice, the Series A Preference Shares

called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected; the Company shall have the right at any time after the mailing of notice of its intention to redeem any Series A Preference Shares as aforesaid to deposit the redemption price of the Series A Preference Shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of such Series A Preference Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Series A Preference Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively; any interest allowed on any such deposit shall belong to the Company;

- (6) So long as any of the Series A Preference Shares are outstanding the Company shall not
- (i) declare or pay any dividends (other than stock dividends in shares of the Company ranking junior to the Series A Preference Shares) on any of its shares at any time outstanding and ranking junior to the Series A Preference Shares; or
 - (ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding and ranking junior to the Series A Preference Shares (except out of the proceeds of an issue of shares ranking junior to the Series A Preference Shares made at any time after the first day of January, A.D. 1961, and prior to or contemporaneously with any such redemption, reduction, purchase or payment); or
 - (iii) elect to pay any tax on undistributed income under the provisions of Section 105 of the Income Tax Act (Revised Statutes of Canada 1952, Chapter 148) as now enacted or as the same may from time to time be amended or re-enacted or elect to pay any tax under any similar provisions

if immediately after giving effect to such action the aggregate amount received by the Company in respect of all shares of its capital then outstanding and ranking junior to the Series A Preference Shares plus consolidated net earnings available for dividends of the Company and its subsidiaries would be reduced to less than the aggregate par value of all First Preference Shares then outstanding; "consolidated net earnings available for dividends" of the Company and its subsidiaries means the consolidated net earnings of the Company and its subsidiaries calculated as provided in clause (10) hereof except that in calculating consolidated net earnings available for dividends the earnings or losses of any subsidiary shall only be included from the date when such subsidiary became a subsidiary of the Company and except that any unexpended amounts to the credit of the purchase fund for the Series A Preference Shares shall be included in consolidated net earnings available for dividends;

For the purposes of this clause (6) and subject to the foregoing provisions hereof the directors of the Company may from time to time determine the consolidated net earnings available for dividends of the Company and its subsidiaries as of a date not more than ninety (90) days prior to the making of such determination and may determine such consolidated net earnings available for dividends to be not less than a stated amount without determining the exact amount thereof; in making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet of the Company and its subsidiaries and/or the last available audited balance sheet of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet of the Company and its subsidiaries and/or the last available unaudited balance sheet of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable provided that the directors shall not make any such determination on the basis of any such balance sheet, statement, report or other data if to their knowledge any event has happened which would materially and adversely affect such consolidated net earnings available for dividends as determined on such basis; upon any determination having been made by the directors under the provisions hereof the consolidated net earnings available for dividends of the Company and its subsidiaries as at any date within a period of ninety (90) days following the date as of which such determination is made (unless any further determination of such consolidated net earnings available for dividends is so made within the said period) shall be conclusively deemed to be not less than the amount stated in such determination and such determination shall be conclusive and binding on the Company and the holders of shares of every class;

(7) Subject as hereinafter provided and subject to the provisions of clause (d) of the provisions attaching to the First Preference Shares as a class, so long as any of the Series A Preference Shares are outstanding, the Company shall, commencing on the first day of April, A.D. 1963 and quarter-yearly thereafter, enter on its books to the credit of a purchase fund for the purchase of Series A Preference Shares for cancellation an amount equal to one and one-quarter per cent ($1\frac{1}{4}\%$) of the aggregate par value of the greatest number of Series A Preference Shares theretofore issued, which credit shall be reflected in the financial statement of the Company;

Subject to the provisions of clause (d) of the provisions attaching to the First Preference Shares as a class, the amounts from time to time set aside as a purchase fund in respect of the Series A Preference Shares shall be applied as soon as practicable, to an extent not exceeding \$225,000 in any one (1) fiscal year of the Company, to the purchase of Series A Preference Shares (if obtainable) in the market at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding an amount equal to the amount paid up thereon plus costs of purchase; to the extent to which Series A Preference Shares cannot be so purchased the Company shall not be obligated to make any application of the purchase fund in the purchase of Series A Preference Shares but shall reserve the same until such shares in the opinion of the board of directors can be so purchased and so on from time to time so long as any of the Series A Preference Shares shall be outstanding; any amounts set aside in the purchase fund in accordance with the foregoing provisions need not be kept separate from other moneys of the Company and pending the use or application thereof for the purposes hereinbefore provided may be employed in the business of the Company; for all purposes of this clause (7), the Company may at any time anticipate the whole or any part of its purchase fund obligations or extinguish the whole or any part of its purchase fund liabilities by purchasing or redeeming or converting Series A Preference Shares as herein provided and applying the cost of such Series A Preference Shares purchased or redeemed and the par value of such Series A Preference Shares converted in reduction of any purchase fund obligations or liabilities;

(8) Upon and subject to the terms and conditions hereinafter set forth, each Series A Preference Share shall be convertible at the option of the holder at any time prior to 5:00 p.m., Eastern Standard Time, on the first day of December, A.D. 1970 into the following respective numbers of fully paid and non-assessable Common Shares of the Company:

On or before the first day of December, 1965.....	1	Common Share
thereafter and on or before the first day of December, 1966.....	14/15	of a Common Share
thereafter and on or before the first day of December, 1967.....	13/15	of a Common Share
thereafter and on or before the first day of December, 1968.....	4/5	of a Common Share
thereafter and on or before the first day of December, 1969.....	11/15	of a Common Share
thereafter and on or before the first day of December, 1970.....	2/3	of a Common Share;

the right to convert any Series A Preference Share shall expire at 5:00 p.m., Eastern Standard Time, on the earlier of the first day of December, A.D. 1970 or the last business day preceding the date upon which such share is called for redemption; if, upon the conversion of one or more Series A Preference Shares at the rates herein provided into the maximum number of Common Shares into which such Series A Preference Shares are convertible, a holder of Series A Preference Shares shall become entitled to a fraction of a Common Share, a bearer fractional certificate shall be issued in respect thereof; in the event of any consolidation, subdivision or change of the Common Shares of the Company at any time while any of the Series A Preference Shares are convertible into a different number or a different class or classes of shares the Company shall deliver at the time of the exercise thereafter of the right of conversion by the holders of any such Series A Preference Shares a certificate or certificates for such different number or different class or classes of shares as would have resulted from such consolidation, subdivision or change if the right of conversion had been exercised prior to the date of such consolidation, subdivision or change; if the Company shall declare and pay a stock dividend upon the Common Shares then from and after the payment date of such dividend the conversion rate shall be increased in proportion to the increase in the number of outstanding Common Shares resulting from such dividend; a holder of Series A Preference Shares desiring to convert his Series A Preference Shares into Common Shares in accordance with the foregoing, shall surrender the certificate or certificates representing his Series A Preference Shares so to be converted to the Company at its head office or to the transfer agent, if any, for the time being of the Series A Preference Shares, together with a written request for such conversion in such form and with such verification of signature as the directors of the Company may from time to time require; the conversion shall be deemed to take effect as of the date upon which the said certificate or certificates shall be surrendered to the Company at its head office or to the transfer agent, as the case may be, accompanied by the said written request, unless such date be a Saturday or a holiday, in which event it shall take effect on the next business day; in the event that part only of the Series A Preference Shares represented by any certificate shall be converted, a certificate for the remainder of the Series A Preference Shares represented by the said certificate shall be delivered to the holder without charge; there shall be no payment or adjustment on account of any accumulated or unpaid dividends on the Series A Preference Shares converted or on account of any dividends on the Common Shares resulting from such conversion;

(9) Subject as hereinafter provided, so long as any of the Series A Preference Shares are outstanding the Company shall not without, but may from time to time with, the approval of the holders of the Series A Preference Shares given as hereinafter specified,

- (a) issue or become liable on any funded indebtedness; or
- (b) permit any subsidiary to guarantee any indebtedness or dividends of or give any other guarantee on behalf of any person, firm or corporation other than the Company or another subsidiary; or
- (c) sell or otherwise dispose of any funded indebtedness or shares of any subsidiary or permit any subsidiary to issue, sell or otherwise dispose of or to become liable on (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) any funded indebtedness or shares of such subsidiary or of any other subsidiary; or
- (d) sell or otherwise dispose of or permit any subsidiary company to sell or otherwise dispose of (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) by conveyance, transfer, lease or otherwise the assets and undertaking of the Company or of a subsidiary as the case may be as an entirety or substantially as an entirety;

provided always that the foregoing restrictions shall not apply to nor operate to prevent

- (i) the giving of security or securities (except on fixed assets) by the Company or a subsidiary to any bank or banks or to any other loaning institution for present or future debts or liabilities of the Company or such subsidiary to such bank or banks or loaning institution provided that such debts or liabilities do not constitute funded indebtedness; or
- (ii) the sale or other disposition, in whole at any time or in part from time to time, of the shares or assets of Malibu Fabrics of Canada Ltd., a company incorporated under the laws of the Province of Quebec by Letters Patent dated the 6th day of November A.D., 1947; or
- (iii) the deposit of cash or obligations of the Government of Canada in connection with contracts or tenders in the ordinary course of business or to secure workmen's compensation, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incident to current construction, mechanics', warehousemen's, carriers' and other similar liens; or
- (iv) the extension, renewal or refunding by a subsidiary of any funded indebtedness of such subsidiary to the extent of the principal amount of such funded indebtedness at the time of such extension, renewal or refunding provided that such funded indebtedness was funded indebtedness of the subsidiary at the time when such subsidiary became a subsidiary; or
- (v) any subsidiary guaranteeing the obligations (other than funded indebtedness) of customers and suppliers in the ordinary course of business; or
- (vi) the extension, renewal or refunding by the Company of any funded indebtedness of the Company to the extent of the principal amount of such funded indebtedness at the time of such extension, renewal or refunding; or
- (vii) the securing from time to time by the Company and/or by any subsidiary of any funded indebtedness permitted under sub-divisions (iv) or (vi) of this sub-clause;

Notwithstanding anything herein contained the foregoing restrictions shall not prevent or be so construed as to prevent the Company or any subsidiary company or companies creating, issuing or becoming liable on funded indebtedness to the extent that the consolidated funded indebtedness of the Company and its subsidiary companies to be outstanding immediately after such creation, issuance or becoming liable, as the case may be, and irrespective of when such indebtedness or liability was incurred shall not thereby be increased to a sum greater than forty per cent (40%) of an amount determined by adding to the consolidated net tangible assets, as herein defined, of the Company and its subsidiary companies the principal amount of all consolidated funded indebtedness of the Company and its subsidiary companies which is to be outstanding immediately after such creation, issuance or becoming liable, as the case may be, and the Company and/or any subsidiary may give security from time to time in respect of any such funded indebtedness;

"Consolidated net tangible assets" as used herein means current assets and all other assets of the Company and its subsidiary companies (including patents at cost less amortization and the proceeds or estimated proceeds of the funded indebtedness proposed to be issued under the provisions of this clause (9) or of the issuance of any shares under, in either case, a contract or arrangement providing for payment in cash within sixty (60) days after the date of such contract or arrangement) except goodwill, leases, trade marks and formulae and after deducting all liabilities of the Company and its subsidiary companies (including any unexpended amounts to the credit of the purchase fund for the Series A Preference Shares) other than contingent liabilities (except to the extent that the directors with the approval of the auditors of the Company determine that provision should be made therefor) and other than liabilities to issued capital, surplus and reserves to the extent not required to be treated as liabilities in accordance with generally accepted accounting practice; in calculating consolidated net tangible assets due allowance shall be made for the minority interest, if any, in any subsidiary;

"Funded indebtedness" as used herein means any indebtedness the principal amount of which by its terms is not payable on demand and matures more than eighteen (18) months after the date of the creation or issuance thereof and any liability (contingent or otherwise) in respect of any guarantee by the Company of any such indebtedness of any person, firm or corporation other than a subsidiary;

"Consolidated funded indebtedness" as used herein means the aggregate amount of all funded indebtedness of the Company and its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting practice;

For the purposes of this clause (9) and subject to the foregoing provisions hereof, consolidated net tangible assets and the value thereof and consolidated funded indebtedness and the amount thereof shall be determined by the auditors of the Company who may adopt or give effect to any values, provisions or reserves appearing in the accounts of the Company or its subsidiaries, as the case may be, with such adjustments as such auditors may consider necessary and such auditors in so determining shall be deemed to be acting as experts and such determination by the auditors of the Company from time to time shall be deemed to be correct and shall be conclusive and binding on the Company and the holders of shares of every class;

"Subsidiary company" or "subsidiary" as used herein means (a) any corporation or company of which all the outstanding shares of each class of its shares are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary; and (b) any corporation or company of which more than fifty per cent (50%) of the outstanding voting shares are for the time being owned by or held for the company and/or any subsidiary of the Company if but only if the directors of the Company by resolution (passed either before or after fifty per cent (50%) of the outstanding voting shares of such corporation or company become owned by or held for the Company and/or any subsidiary of the Company) determine that such corporation or company shall be deemed to be a subsidiary of the Company and only so long as more than fifty per cent (50%) of the outstanding voting shares of such corporation or company are owned by or held for the Company and/or any subsidiary of the Company; any such resolution shall not be revocable and shall be conclusive and binding upon all parties in interest; "voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened; if by reason of any such resolution any corporation or company (hereinafter called a "deemed subsidiary") is deemed to be a subsidiary of the Company then any corporation or company of which more than fifty per cent (50%) of the outstanding voting shares are or shall at any time be owned by or held for a deemed subsidiary and/or any other corporation or company in like relation to a deemed subsidiary shall be deemed to be a subsidiary of the Company and any other corporation or company in like relation to such a corporation or company shall also be deemed to be a subsidiary of the Company;

(10) The Company shall not issue any First Preference Shares in excess of the one hundred and fifty thousand (150,000) Series A Preference Shares without the prior approval of the holders of the Series A Preference Shares given as hereinafter specified unless (a) the consolidated net tangible assets as hereinbefore defined of the Company and its subsidiaries amount to at least two (2) times the aggregate par value of all First Preference Shares to be outstanding immediately after such issue, and (b) the consolidated net earnings as herein defined of the Company and its subsidiaries for any twelve (12) consecutive months out of the eighteen (18) months next preceding the date of issuance have been at least equal to three and one-half ($3\frac{1}{2}$) times the annual dividend requirements on all the First Preference Shares to be outstanding immediately after such issue; a report of the Company's auditors for the time being as to whether the Company is or is not entitled to issue any First Preference Shares without the prior approval aforesaid shall be conclusive and binding on the Company and the holders of shares of every class;

"Consolidated net earnings" as used herein means all the gross earnings and income of the Company and its subsidiary companies from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and its subsidiary companies (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting practice; without limitation of the generality of the foregoing, operating expenses shall include insurance, maintenance, repairs, renewals (except such expenditures for renewals as are charged to capital account in accordance with generally accepted accounting practice), rentals, licenses, taxes (including taxes on income) and all interest and such provisions or allowances for bad and doubtful debts as the directors in their discretion, with the approval of the Company's auditors, may determine, and, in addition to actual expenditures for maintenance, reasonable allowance for depreciation; the net earnings of any subsidiary company for the purpose of this definition shall only include such part of the net earnings and income of such subsidiary company calculated as aforesaid as under generally accepted

accounting practice is applicable to those shares of such subsidiary company which are held by the Company or any other subsidiary company; if, at the time of determining consolidated net earnings for any past period, the Company or any subsidiary has acquired, is in the process of acquiring, or proposes to acquire, any property or any shares of any other company (sufficient with any shares of such other company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) and if the net proceeds of the then proposed issue of First Preference Shares are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares (as to which a resolution of the directors shall be conclusive and binding), then the net earnings or net losses of such property or such other company for the same past period (calculated in accordance with the provisions herein contained respecting consolidated net earnings) shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses as the case may be in the computation of consolidated net earnings;

For the purposes of this clause (10) and subject to the foregoing provisions hereof, consolidated net earnings shall be determined by the auditors of the Company;

(11) No class of shares may be created or issued ranking as to capital or dividends prior to or on a parity with the First Preference Shares without the approval of the holders of the Series A Preference Shares given as hereinafter specified nor shall the authorized amount of First Preference Shares be increased without such approval; provided that nothing in this clause (11) contained shall prevent the Company from issuing additional series of the First Preference Shares without such approval;

(12) The foregoing provisions, the provisions of this clause and the provisions of clause (13) hereof may be deleted, varied, modified, amended or amplified by supplementary letters patent but only with the approval of the holders of the Series A Preference Shares given as hereinafter specified, in addition to any vote or authorization required by The Corporations Act, 1953;

(13) The approval of holders of the Series A Preference Shares as to any and all matters referred to herein (in addition to or as distinct from any vote or authorization required by The Corporations Act, 1953) may be given by resolution passed at a meeting of the holders of the Series A Preference Shares duly called and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Series A Preference Shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than two-thirds ($\frac{2}{3}$) of the Series A Preference Shares represented and voted at such meeting cast on a poll; if at any such meeting the holders of a majority of the outstanding Series A Preference Shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the Chairman and at least fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Series A Preference Shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative vote of the holders of not less than two-thirds ($\frac{2}{3}$) of the Series A Preference Shares represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of Series A Preference Shares referred to above; the formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of Series A Preference Shares shall be entitled to one vote in respect of each Series A Preference Share held;

Any authorization required by subsection 4 of section 33 of The Corporations Act, 1953 may be given by at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Series A Preference Shares duly called for that purpose.

SECOND PREFERENCE SHARES

SUBJECT TO THE PREFERENCES ATTACHING TO THE FIRST PREFERENCE SHARES AS A CLASS AND TO EACH SERIES OF SUCH FIRST PREFERENCE SHARES, THE SECOND PREFERENCE SHARES WITH A PAR VALUE OF \$50 EACH (HEREINAFTER CALLED THE "SECOND PREFERENCE SHARES") SHALL HAVE ATTACHED THERETO, AS A CLASS, PREFERENCES, RIGHTS, CONDITIONS, RESTRICTIONS, LIMITATIONS AND PROHIBITIONS SUBSTANTIALLY AS FOLLOWS:

(a) The Second Preference Shares shall be entitled to preference over the Common Shares of the Company and any other shares ranking junior to the Second Preference Shares with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Company whether voluntary or involuntary or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs;

(b) The holders of the Second Preference Shares shall be entitled to receive and the Company shall pay thereon as and when declared by the Board of Directors out of the moneys of the Company properly applicable to the payment of dividends, non-cumulative cash dividends at the rate of five per cent (5%) per annum on the amounts from time to time paid up thereon; cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted) shall be issued in respect of such dividends; the holders of the Second Preference Shares shall not be entitled to any dividends other than or in excess of the non-cumulative cash dividends hereinbefore provided for;

(c) In the event of the liquidation, dissolution or winding up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Second Preference Shares shall be entitled to receive the amount paid up on such shares together with all declared and unpaid preferential dividends before any amount shall be paid or any property or assets of the Company distributed to the holders of the Common Shares or any other shares ranking junior to the Second Preference Shares; after payment to the holders of the Second Preference Shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Company;

(d) The holders of the Second Preference Shares shall not as such be entitled to vote at any meetings of the shareholders of the Company but shall be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof;

(e) The Company may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding Second Preference Shares on payment for each share to be redeemed of the amount paid up on such share, together with all dividends declared thereon and unpaid;

(f) In any case of redemption of Second Preference Shares under the provisions of clause (e) hereof, the Company shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Second Preference Shares to be redeemed a notice in writing of the intention of the Company to redeem such Second Preference Shares; such notice shall be mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption; such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Second Preference Shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed; on or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the Second Preference Shares to be redeemed the redemption price on presentation and surrender at the head office of the Company or any other place designated in such notice of the certificates representing the Second Preference Shares so called for redemption; such payment shall be made by cheques payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted); if a part only of the Second Preference Shares represented by any certificate shall be redeemed, a new certificate for the balance shall be issued at the expense of the Company; from and after the date specified for redemption in any such notice, the Second Preference Shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected; the Company shall have the right at any time after the mailing of notice of its intention to redeem any Second Preference Shares as aforesaid to deposit the redemption price of the Second Preference Shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of such Second Preference Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Second Preference Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively; any interest allowed on any such deposit shall belong to the Company;

(g) The authorization required by subsection 4 of section 33 of The Corporations Act, 1953 to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Second Preference Shares or to create preference shares ranking in priority to or on a parity with the Second Preference Shares may be given by at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Second Preference Shares duly called for that purpose and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Second Preference Shares are present or represented by proxy; if at any such meeting the holders of a majority of the outstanding Second Preference Shares are not present or represented by proxy within one-half ($\frac{1}{2}$) an hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the Chairman and not less than fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Second Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds ($\frac{2}{3}$) of the votes cast at such meeting shall constitute the authorization of the holders of the Second Preference Shares referred to above; the formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Company with respect to meetings of shareholders.

Common Shares

The Common Shares without par value of the Company carry the right to one vote per share at all meetings of holders of Common Shares, and the rights of the holders of the Common Shares are subject to the prior rights of the holders of the First Preference Shares and Second Preference Shares of the Company.

(i) There are no bonds or debentures outstanding or proposed to be issued, or any other securities issued or proposed to be issued, which if issued will rank ahead of or *pari passu* with the Series A Preference Shares offered by this prospectus. Except for the rights attaching to the First Preference Shares and the Second Preference Shares described in paragraph (h) hereof there are no bonds or debentures outstanding or proposed to be issued, or any other securities issued or proposed to be issued, which if issued will rank ahead of or *pari passu* with the Common Shares offered by this prospectus.

(j) No substantial indebtedness not shown in the pro forma consolidated balance sheet of the Company and its subsidiaries as at August 31, 1960 forming part of this prospectus is now intended to be created or assumed except obligations to be incurred in the ordinary course of the business and operations and on the general credit of the Company.

(k) There are no securities of the Company covered by options outstanding or proposed to be given by the Company.

(l) The securities offered by this prospectus are 150,000 Series A Preference Shares and 30,000 Common Shares. The issue price to the public and the terms thereof are as stated on the facing page of this prospectus to which reference is hereby made.

(m) The estimated net proceeds to be derived by the Company from the sale of the 150,000 Series A Preference Shares and 30,000 Common Shares hereby offered on the basis of the same being fully taken up and paid for will be \$1,501,500, less legal, auditing, printing and other expenses in connection with the issue thereof (which expenses are estimated at \$50,000) and the commission referred to in paragraph (p) hereof.

(n) The net proceeds (after payment of the commission referred to in paragraph (p) and the expenses referred to in paragraph (m) to be received by the Company from the sale of the securities referred to in paragraph (m) are to be applied by the Company in the following manner: approximately \$619,158 will be used to reduce outstanding bank indebtedness and the balance will be used for general corporate purposes.

(o) No minimum amount in the opinion of the directors of the Company must be raised by the issue of the Series A Preference Shares and Common Shares offered by this prospectus to provide the sums or the balance of the sums required to be provided for the following matters:

- (i) the purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;
- (ii) any preliminary expenses payable by the Company;
- (iii) any commission payable by the Company to any person in consideration of his agreeing to subscribe for or procuring or agreeing to procure subscriptions for any shares in the Company;
- (iv) the repayment of any moneys borrowed by the Company in respect of the foregoing matters, and
- (v) the repayment of bank loans.

Reference is, however, made to paragraphs (m), (n) and (p) hereof.

(p) Pursuant to an Agreement dated November 23, 1960, as amended by a further Agreement dated December 28, 1960, the Company has agreed to sell and Gairdner & Company Limited have agreed to purchase, as principals, 150,000 Series A Preference Shares and 36,000 Common Shares in the capital of the Company subject to the terms and conditions of the said Agreements at \$10 per share in the case of the said Series A Preference Shares and at 5¢ per share in the case of the said Common Shares, payable in cash against delivery of interim certificates representing the said shares. The said Series A Preference Shares and 30,000 of the said Common Shares are being offered to the public in units of 1 Series A Preference Share and $\frac{1}{5}$ of a Common Share at a price of \$10 per unit. By the said Agreements the Company has agreed to pay Gairdner & Company Limited an aggregate commission of \$91,800 in consideration of their subscribing for the said 150,000 Series A Preference Shares and the said 36,000 Common Shares.

(q) The by-laws of the Company contain the following provisions for the remuneration of directors:

Subject to any agreement to the contrary, the remuneration to be paid to the directors shall be such remuneration as the board shall from time to time determine. The directors shall also be entitled to be paid their travelling and other expenses properly incurred by them, in going to, attending and returning from board, committee and shareholders' meetings, and any other expenses properly incurred by them in connection with the affairs of the Company, or to receive a fixed allowance in respect thereof, as may be determined by the board from time to time. The directors may by resolution award special remuneration to any director or officer of the Company undertaking any special work or service for, or undertaking any special mission on behalf of, the Company, other than routine work ordinarily required of such director or officer of the Company. Any remuneration payable to a director who is also an officer or employee of the Company shall be in addition to his salary as such officer.

(r) The aggregate remuneration paid by the Company during its last financial year ended February 28, 1960 to the directors of the Company as such was nil and to those officers and employees who are now officers of the Company who individually received or were entitled to receive remuneration in excess of \$10,000 per annum was \$65,000. It is estimated that the aggregate remuneration to be paid or which will be payable during the current financial year to directors as such will be nil, and to officers who individually will receive or be entitled to receive remuneration in excess of \$10,000 per annum will be \$70,000.

(s) No commission has been paid within the two preceding years of the date hereof, or is now payable by the Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company. Reference is however made to paragraph (p) hereof for particulars of the commission payable by the Company with respect to the issue and sale of the Series A Preference Shares and Common Shares offered by this prospectus.

(t) The Company has been carrying on business for more than one year.

(u and v) Except as to transactions entered into in the ordinary course of business, or on the general credit of the Company, no property has been purchased or acquired by the Company the purchase price of which is to be defrayed in whole or in part out of the proceeds of the shares hereby offered, or has been within the two preceding years or is to be paid in whole or in part in securities of the Company. Reference is, however, made to paragraph (p) hereof.

(w) No securities have been issued or agreed to be issued within the two preceding years as fully or partly paid up otherwise than in cash.

(x) No obligations are offered by this prospectus.

(y) No services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the shares offered hereby or have been within the last two preceding years or are to be paid for by securities of the Company except for the legal, auditing, printing and other expenses referred to in paragraph (m) hereof and the commission referred to in paragraph (p) hereof in connection with the sale of the shares offered hereby.

(z) No amount has been paid within the two years preceding the date of this prospectus or is intended to be paid to any promoter as such.

(za) The Company has not entered into any material contract within the two years preceding the date hereof other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company, except the underwriting agreement dated November 23, 1960 and the amendment thereto dated December 28, 1960 between the Company and Gairdner & Company Limited referred to in paragraph (p) hereof;

Copies of the said agreements may be inspected at the head office of the Company, 215 Spadina Avenue, Toronto, Ontario, during ordinary business hours at any time during the period of primary distribution to the public of the securities offered hereby.

(zb) The Company does not propose to acquire any property in which any director of the Company has an interest.

(zc) The Company has been carrying on business for more than three years.

(zd) Garson Reiner and Exquisite Form Brassiere, Inc. by reason of beneficial ownership of securities of the Company are in a position to elect or cause to be elected a majority of the directors of the Company. The address of Garson Reiner is set forth in paragraph (d) hereof. The address of Exquisite Form Brassiere, Inc. is 159 Madison Avenue, New York 16, New York, U.S.A.

(ze) By agreement dated as of December 28, 1960 between Gairdner & Company Limited, Garson Reiner, Exquisite Form Brassiere, Inc., Harry Louis Solomon and The Canada Trust Company, as Trustee, the said Garson Reiner, Exquisite Form Brassiere, Inc. and Harry Louis Solomon have agreed to deposit an aggregate of 300,013 Common Shares of the Company with The Canada Trust Company, as Trustee, in escrow, upon condition that the said Common Shares will not be sold (but may be pledged with a Canadian bank) at any time prior to December 31, 1965 provided that all or any part of such Common Shares may be released by the Trustee from such escrow prior to December 31, 1965 upon application for such release and upon there being produced to it evidence satisfactory to it of the approval of The Toronto Stock Exchange to such release; and provided further that sales of such shares may be made between the original signatories to such agreement and any officers or directors of the Company who subsequently become parties to such agreement without application to the said Trustee as aforesaid.

Except as aforesaid no securities of the Company are to the knowledge of the Company held in escrow.

(zf) No dividends have been paid on any shares of the Company during the five years preceding the date of this prospectus.

(zg) Thirteen thousand Second Preference Shares have been issued to Exquisite Form Brassiere, Inc. in payment of deferred liability of \$646,355 and of advances of \$3,645.

(zh) There are no other material facts not disclosed in the foregoing.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

Dated this 29th day of December, 1960.

Directors

(Signed) GARSON REINER

(Signed) J. H. HAWKE

(Signed) HARRY L. SOLOMON

(Signed) PHILIP P. HENRY

(Signed) J. S. GAIRDNER

(Signed) CARL M. SOLOMON

(Signed) JOSEPH GAYNE

(Signed) { BENJAMIN OREMLAND
ROBERT HERMAN SOLOF

by their attorney

(Signed) HARRY L. SOLOMON

Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954, (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955, (Alberta), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

GAIRDNER & COMPANY LIMITED
By (Signed) M. R. TOOMBS,
Director.

The following includes the names of all individuals having more than a 5% interest in the capital of Gairdner & Company Limited: J. A. Gairdner, J. S. Gairdner, H. V. Shaw, J. H. Hawke, G. C. Watt, F. J. McDonald, H. E. Neville, H. R. Malkin, J. A. Cunningham and J. H. Brown.

OFFICERS

Garson Reiner	Chairman of the Board	East Sunnyside Lane, Irvington on the Hudson, New York.
Harry Louis Solomon	President	81 Ridge Hill Drive, Toronto, Ontario.
Phillip Peter Henry	Vice-President	193 Hillhurst Avenue, Toronto, Ontario.
Joseph Harry Gayne	Secretary-Treasurer	207 Searle Avenue, Downsview, Ontario.
Robert Herman Solof	Assistant Secretary-Treasurer	927 Middleneck Road, Kingspoint, Long Island, New York.

CERTIFICATE

Pursuant to a resolution duly passed by its Board the applicant Company hereby makes application for listing of the above mentioned securities on The Toronto Stock Exchange and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



EXQUISITE FORM BRASSIERE (CANADA) LIMITED

"HARRY L. SOLOMON", President.

"JOSEPH GAYNE", Secretary-Treasurer.

STATEMENT SHOWING NUMBER OF SHAREHOLDERS

Distribution of Common Stock as of February 10th, 1961

Number	Shares
584 Holders of 1— 100 share lots.....	12,366
7 " " 101— 200 " "	1,372
Nil " " 201— 300 " "	Nil
1 " " 301— 400 " "	440
Nil " " 401— 500 " "	Nil
1 " " 501—1000 " "	869
6 " " 1001—up " "	340,965
<u>599 Stockholders</u>	<u>Total shares..... 356,013*</u>

*Of which 300,013 are deposited in escrow as set out in paragraph (ze) on page 19 of the attached prospectus.

Distribution of First Preference Series A Stock

as of February 10th, 1961

Number	Shares
451 Holders of 1— 100 share lots.....	26,520
82 " " 101— 200 " "	14,430
30 " " 201— 300 " "	8,475
4 " " 301— 400 " "	1,600
24 " " 401— 500 " "	11,906
6 " " 501—1000 " "	5,700
4 " " 1001—up " "	81,369
<u>601 Stockholders</u>	<u>Total shares..... 150,000</u>

THE TORONTO STOCK EXCHANGE

FILING STATEMENT NO. 1324.
FILED, JUNE 17th. 1965.

EXQUISITE FORM BRASSIERE (CANADA) LIMITED

Full corporate name of Company

Incorporated under the laws of the Province of Ontario by Letters Patent dated December 16, 1949. The Company has obtained Supplementary Letters Patent dated respectively April 27, 1954, December 29, 1960, and December 30, 1960.

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953

(Ontario) by Letters Patent dated May 1st, 1957).

Reference is made to previous Filing Statement No. 1288.

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things, an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.

SUBJECT to the acceptance by the Toronto Stock Exchange of the filing statement in respect to the transaction hereinafter described Exquisite Form Brassiere (Canada) Limited (hereinafter called the "Company") entered into an Agreement of Purchase and Sale with Paradise Crinolines Limited (hereinafter called "Paradise") which agreement was dated April 15th, 1965, wherein the Company, through the vehicle of a new subsidiary company to be incorporated, agreed to purchase from Paradise all its undertaking, property and assets - including goodwill - used in connection with the business of Paradise as a going concern for the purchase price of \$750,598.00. The purchase price is to be paid by the assumption by the Company's new subsidiary of all debts and liabilities of Paradise in the amount of \$350,797.00, save and except the liability of Paradise for Federal and Provincial taxes in the amount of \$56,000.00, the payment in cash of \$256,000.00 on closing and the balance of \$200,000.00 payable \$100,000.00 one year after closing and the last payment of \$100,000.00 two years after closing. The Company will be the owner of 75% of the outstanding capital stock of the new subsidiary, the remaining 25% is to be owned by Paradise, the major shareholder of which is Mr. N. Gold of Toronto. The Company will, of course, be liable for but 75% of the purchase price aforesaid.

Included in the undertaking agreed to be purchased is a license from the Manhattan Shirt Company of New York permitting the Company's new subsidiary to manufacture in Canada certain ladies' wearing apparel and particularly ladies' blouses under the Manhattan label. Paradise has been successfully manufacturing under a similar license arrangement for approximately three years. The Manhattan Shirt Company of New York is an old established organization whose product and name has been extensively publicized and is well-known in United States and Canada.

The interim audited financial statement of Paradise as at March 31st, 1965, indicates that the net worth of the company (excepting \$15,000.00 by way of capital) as at that date was \$289,180.00, the assets being \$654,978.00 and the liabilities being \$350,797.00. The interim statement of profit and loss for the same period evidences that the Company made a net profit of \$73,719.00 after taxes for the nine-month period then ended. The said financial statements are hereto annexed as a Schedule. The said agreement provided that the purchase and sale of the said assets and goodwill shall take effect as of and from the opening of business on April 1, 1965, and that from that date until closing the vendor would continue to manage and operate the business on behalf of and for the account of the Company.

2. Head office address and any other office address.

215 Spadina Avenue, Toronto, Ontario.

3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.

1. Garson Reiner, Executive, Director and Chairman of the Board, East Sunnyside Lane, Irvington-on-Hudson, New York.
2. Harry Louis Solomon, Executive, Director and President, 26 Dunloe Road, Toronto, Ontario.
3. Philip Peter Henry, Executive, Director and Vice-President, 193 Hillhurst Avenue, Toronto, Ontario.
4. Joseph Harry Gayne, Executive, Director and Vice-President and Secretary-Treasurer, 207 Searle Avenue, Downsview, Ontario.
5. Robert Hermann Solof, Executive, Director and Assistant Secretary-Treasurer, 927 Middleneck Road, Kingspoint, Long Island, New York.
6. John Smith Gairdner, Investment Dealer, Director, 1502 Lakeshore Highway East, Oakville, Ontario.
7. John Howard Hawke, Investment Dealer, Director, 303 Rose Park Drive, Toronto, Ontario.
8. Benjamin Oremland, Attorney, Director, 120 East 79th Street, New York, N.Y.
9. Carl Morton Solomon, Solicitor, Director, 507 Atlas Avenue, Toronto, Ontario.

4. Share capitalization showing authorized and issued and outstanding capital.
- Authorized Capital - 285,650 First Preference Shares having a par value of \$10 each issuable in series; 20,000 5% Non-cumulative, non-voting, redeemable Second Preference Shares having a par value of \$50 each; and 1,014,350 Common Shares with no par value.
Issued and Outstanding Capitalization - 135,650 6% Cumulative, Redeemable, Convertible First Preference Shares, Series A; 13,000 Second Preference Shares; and 378,883 Common Shares.
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.
- The Company has created and issued \$2,000,000 aggregate principal amount of 6% Sinking Fund Debentures Series A dated as of November 15, 1962, and maturing November 15, 1982. As at the date hereof there is outstanding \$1,950,000 aggregate principal amount thereof, \$50,000 having been purchased for cancellation.
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.
- (a) 20,000 common shares of the Company were set aside and allotted to employees of the Company and other persons designated by the President, subject, inter alia, to the payment of the subscription price therefor. Originally the subscription price was \$9.00 per share; however this was subsequently reduced to \$6.30 per share at a meeting of Directors held on August 9, 1963. At the date hereof, of the options granted 8,520 have been exercised at the price of \$6.30 per share.
(b) There are presently issued and outstanding Common Share Purchase Warrants entitling the holders thereof to purchase 100,000 common shares of the Company at the price of \$12.00 per share if exercised on or before December 1, 1966, such exercise price increasing thereafter by \$1.00 per share for each year commenced or lapsed from December 1, 1966, up to and including December 1, 1969, after which date the said Warrants are void.
(c) The First Preference Shares, Series A, are convertible at the option of the holders into common shares of the Company as follows:
- | | |
|--|-------------------------|
| On or before December 1, 1965 | 1 common share |
| Thereafter and on or before December 1, 1966 | 14/15 of a common share |
| Thereafter and on or before December 1, 1967 | 13/15 of a common share |
| Thereafter and on or before December 1, 1968 | 4/5 of a common share |
| Thereafter and on or before December 1, 1969 | 11/15 of a common share |
| Thereafter and on or before December 1, 1970 | 2/3 of a common share |
- Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.
- See Item No. 6
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.
- The Company intends to proceed with its policy of expansion through normal growth and selective acquisition.
10. Brief statement of company's chief development work during past year.
- The Company tended to expand its operations in the normal course.
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.
- See Item 1.
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.
- Paradise Crinolines Limited will receive a greater than 5% interest in the consideration to be received by the vendor. Mr. Nathan Gold, 45 Ridgehill Drive, Toronto, Ontario has a greater than 5% interest in Paradise Crinolines Limited.
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement
- By agreement dated as of December 28, 1960, between Cairdner & Company Limited, Garson Reiner, Exquisite Form Industries, Inc., Harry Louis Solomon and The Canada Trust Company, as Trustee, the said Garson Reiner, Exquisite Form Industries, Inc. and Harry Louis Solomon agreed to deposit an aggregate of 300,013 Common Shares of the Company with The Canada Trust Company, as Trustee, in escrow, upon condition that the said Common Shares will not be sold at any time prior to December 31, 1965, provided that all or any part of such Common Shares may be released by the Trustee from such escrow prior to December 31, 1965, upon application for such release and upon there being provided to it evidence satisfactory to it of the approval of The Toronto Stock Exchange to such release. Since the date of, and in accordance with the terms of the said agreement, 50,000 Common Shares of the Company have been released from escrow.

To the Shareholders of
Exquisite Form Brassiere (Canada) Limited:

We have examined the consolidated balance sheet of Exquisite Form Brassiere (Canada) Limited and its subsidiary companies as at February 28, 1965 and the consolidated statements of earnings and retained earnings for the year ended on that date. The financial statements of the subsidiaries of which we are not the auditors, with the reports thereon of their respective auditors, have been accepted by us for inclusion in the accompanying consolidated financial statements. With respect to Exquisite Form Brassiere (Canada) Limited and subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, based on our examination and the examinations and reports of the auditors referred to above, the accompanying consolidated balance sheet and the consolidated statements of earnings and retained earnings, supplemented by the attached notes, present fairly the financial position of the Company and its subsidiary companies as at February 28, 1965, and the results of their operations for the year ended on that date in accordance with generally accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the Company and its subsidiary companies for the year ended February 28, 1965.

Toronto, Canada.
May 25, 1965.

WM. EISENBERG & CO.
Chartered Accountants

FINANCIAL STATEMENTS

EXQUISITE FORM BRASSIERE (CANADA) LIMITED
(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO)
AND ITS SUBSIDIARY COMPANIES (NOTE 1)
CONSOLIDATED BALANCE SHEET AS AT FEBRUARY 28, 1965

- ASSETS -

	1965	1964 for Comparison
<u>Current Assets</u>		
Cash on Hand and in Banks	\$ 80,134	\$ 275,676
Accounts Receivable after Allowance for Doubtful Accounts	2,493,288	2,044,054
Notes Receivable	-	251,823
Short Term Investments	600,000	1,425,000
Inventories at Lower of Cost or Net Realizable Value	2,837,912	2,255,246
Prepaid Expenses	66,396	67,245
	<u>\$6,077,730</u>	<u>\$6,335,044</u>
<u>Fixed Assets</u>		
Land and Buildings - at cost	\$ 724,329	\$ 707,677
Equipment, Display Fixtures, Leasehold Improvements and Automotive Equipment - at cost	1,428,973	1,201,876
Patent - at cost	150,000	150,000
	<u>\$2,303,302</u>	<u>\$2,059,553</u>
<u>Less: Accumulated Depreciation</u>	<u>933,169</u>	<u>794,018</u>
	<u>\$1,370,133</u>	<u>\$1,265,535</u>
<u>Other Assets</u>		
Excess of Cost over Book Value of shares in Subsidiary Companies	\$ 42,540	\$ 765
Investments - Exquisite Form Espana S.A. (Note 2)	34,330	34,330
- Exquisite Form Brassiere (Great Britain) Limited (Note 3)	1,670,395	-
- Lawson's Products Limited (Note 4)	51	-
- Other - aggregate market value exceeds cost	26,116	38,575
Deferred Expenses Unamortized - Pre-production and Promotion	269,788	308,982
Unamortized Debenture Discount (Note 5)	86,530	93,750
	<u>\$2,129,750</u>	<u>\$1,476,402</u>
	<u>\$9,527,613</u>	<u>\$8,077,081</u>

APPROVED ON BEHALF OF THE BOARD

Carson Reiner, Director
Henry L. Colman, Director

- LIABILITIES -

	1965	1964 for Comparison
<u>Current Liabilities</u>		
Bank Overdrafts	\$ 97,737	\$ 15,621
Bank Loans - Secured	512,649	485,379
Accounts Payable and Accrued Liabilities	874,206	746,614
Balance Owed on Investment in Exquisite Form Brassiere (Great Britain) Limited	740,584	-
Notes Payable	70,065	57,067
Dividends Payable	86,360	-
Advances from Affiliates	42,375	68,384
Income Taxes Payable	347,257	265,738
Current Portion of Long Term Debt (Note 5)	50,000	50,000
	<u>\$2,821,233</u>	<u>\$1,688,863</u>

Long Term Debt

Mortgage Payable (repayable in German D. Marks)	\$ 73,405	\$ 89,230
6-1/4% Sinking Fund Debentures, Series A, maturing December 1, 1982 (Note 5)	<u>1,900,000</u>	<u>1,950,000</u>
	<u>\$1,973,405</u>	<u>\$2,039,230</u>
<u>Total Liabilities</u>	<u>\$4,794,638</u>	<u>\$3,728,093</u>

Shareholders' EquityCapital Stock (Note 6)Authorized

295,775 First Preference Shares of the par value of \$10 each, issuable in series	\$2,957,750	
20,000 5% Non-Cumulative Non-voting Redeemable Second Preference Shares of the par value of \$50 each		1,000,000
1,004,225 Common Shares without Par Value		

Issued and Fully Paid

145,775 6% Cumulative Redeemable Con- vertible First Preference Shares, Series A	\$1,457,750	\$1,481,250
13,000 Second Preference Shares	650,000	650,000
360,238 Common Shares	<u>45,160</u>	<u>21,660</u>
	<u>\$2,152,910</u>	<u>\$2,152,910</u>

Purchased Fund - Series A First Preference

Shares (Note 6)	107,750	75,000
Retained Earnings	<u>2,472,315</u>	<u>2,121,978</u>
<u>Total Shareholders' Equity</u>	<u>\$4,732,975</u>	<u>\$4,349,883</u>
	<u>\$9,527,613</u>	<u>\$8,077,981</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT FEBRUARY 28, 1965

- Wholly owned Subsidiary Companies - Consolidated Brassieres and Girdles
 - Exquisite Form Brassiere Ltd. G.m.b.H. - West Germany
 - Exquisite Form Brassiere de Venezuela C.A. - Venezuela
 - Exquisite Form Brassiere de Colombia Ltda. - Colombia
 Textiles
 - Malibu Febrics of Canada Ltd. - Quebec
 - Elasticos de Venezuela C.A. - Venezuela
 - Magic Lady C.A. - Venezuela
 Men's Shirts and Underwear
 - Dunley Shirt (Canada) Limited - Ontario (acquired in April, 1964, and included for the first time).

All significant intercompany loans and transactions have been eliminated on consolidation. Foreign currencies have been converted to Canadian funds at official rates of exchange in Venezuela and free rates in Germany and Colombia on the following bases:

Current Assets and Current Liabilities - at the prevailing rate on February 28, 1965.

Fixed Assets, Other Assets and Long Term Debt -- at the average cost in Canadian funds in the period in which acquired or incurred.

Profit and Loss Accounts -- at the average rate for the year.

In Venezuela, the purchase of dollars at the official rate of exchange is subject to governmental control. There is, however, a free market in foreign exchange where dollars may be purchased at a rate higher than the official rate of exchange. Effective January 18, 1964, Venezuela imposed new exchange controls whereby certain payments that complied with the previous decrees will be permitted at the former rates, provided that the right to obtain foreign exchange is approved by March 31, 1965. The Company is now negotiating with the Venezuelan government for the continued use of these exchange credits.

Germany and Colombia have no exchange restrictions, their currencies being freely convertible into Canadian dollars. Net operating income is after the deduction of foreign exchange losses due to the decrease in value of the Colombian peso during the year.

The consolidated balance sheet and statements of earnings and retained earnings for the year ended February 29, 1964 are shown for comparative purposes only and should be read in conjunction with the notes to the consolidated financial statements in the annual report for that year.

- Investment - Exquisite Form Espana S.A. - Spain (brassieres and girdles)

Exquisite Form Brassiere (Canada) Limited has a 37 1/2% interest in this company, and its share of the net profit was \$3,200 for the year ended February 28, 1965 and \$2,700 to date. No dividends have been declared by the Spanish company to February 28, 1965.

- Investment - Exquisite Form Brassiere (Great Britain) Limited - England (brassieres and girdles)

Exquisite Form Brassiere (Canada) Limited purchased a 50% interest in this company during the current fiscal year for approximately \$1,600,000 after extended negotiations and the approval of the directors, shareholders and the Toronto Stock Exchange.

The Company's share of the earnings of the English company have been included in the attached consolidated statement of earnings, after allowing for the carrying charges on the cost of the investment from April 1, 1964 to February 28, 1965. The investment in this company is carried at its cost plus the Company's share of the earnings to date. No dividends have been declared to February 28, 1965.

- Investment - Lawsonit Products Limited - Ontario (textiles)

Exquisite Form Brassiere (Canada) Limited has a 51% voting interest (50% share of profits) in this company that did not commence operations until after February 28, 1965.

- 6 1/4% Sinking Fund Debentures, Series A

These 6 1/4% Sinking Fund Debentures, Series A were issued under a trust indenture dated November 15, 1962 which provided for the following conditions, inter alia:

- (a) The redemption prior to maturity at the Company's option at any time in whole or from time to time in part on not less than 30 days' prior notice on the following bases: (i) out of sinking fund moneys, at the principal amount thereof; and (ii) otherwise than out of sinking fund moneys, at the option of the Company, at the principal amount thereof plus a premium of 6 1/4% of such amount if redeemed on or before December 1, 1963, such premium thereafter decreasing .33 of 1% of such principal amount for each year commenced or elapsed after December 1, 1963 to the date specified for redemption up to and including the year commencing December 2, 1980 and after December 1, 1981 and prior to maturity at the principal amount thereof; together in all cases with accrued interest to the date specified for redemption.
- (b) The establishment of a sinking fund for the retirement of \$50,000 aggregate principal amount of Series A Debentures on December 1 in each of the years 1964 to 1966 inclusive, \$75,000 aggregate principal amount of Series A Debentures on December 1 in each of the years 1967 to 1969 inclusive and \$100,000 aggregate principal amount of Series A Debentures on December 1 in each of the years 1970 to 1981 inclusive.

6. Capital Stock

Each Series A First Preference Share shall be convertible at the option of the holder into fully paid and non-assessable Common Shares of the Company as follows:

- on or before December 1, 1965 1 Common Share
- on or before December 1, 1966 14/15 of a Common Share
- on or before December 1, 1967 13/15 of a Common Share
- on or before December 1, 1968 4/5 of a Common Share
- on or before December 1, 1969 11/15 of a Common Share
- on or before December 1, 1970 2/3 of a Common Share

During the 1965 fiscal year, 2,350 Series A First Preference Shares were converted into 2,350 Common Shares. The conversion of the 4,225 Series A First Preference Shares to February 28, 1965 has reduced the number of authorized and issued First Preference Shares and has increased the number of authorized and issued Common Shares accordingly.

So long as any of the Series A Preference Shares are outstanding and subject to certain provisions the Company will on the first day of April 1963 and quarterly thereafter enter on its books to the credit of a purchase fund for the purchase, subject to certain provisions, of Series A Preference Shares for cancellation (if obtainable) an amount equal to one and one-quarter per cent (1 1/4%) of the aggregate par value of the greatest number of Series A Preference Shares theretofore issued. To February 28, 1965, no Series A Preference Shares had been purchased for cancellation, but the Company has elected to apply the conversions of the Series A First Preference Shares (as shown above) against its requirements under this purchase fund.

So long as any of the Series A Preference Shares are outstanding the Company shall not pay any dividends on shares ranking junior to the Series A Preference Shares unless certain provisions are met.

On April 25, 1962, the Company authorized the granting to key employees and other persons of options to purchase an aggregate of 20,000 Common Shares of the Company. Each option is cumulatively exercisable over 5 years at a price of \$6.30 per Common Share in progressive annual instalments of 20% of the number of shares optioned. To February 28, 1965, none of these options had been exercised. In March, 1965, 8,220 options were exercised and 500 options were cancelled.

100,000 Common Shares will be reserved for the exercise of outstanding Common Share Purchase Warrants issued with the 6 1/4% Sinking Fund Debentures, Series A (Note 5). Such Warrants will entitle the bearers thereof to purchase Common Shares at \$12 per share if exercised on or before December 1, 1966, such price increasing thereafter by \$1 per share for each year commenced or elapsed after December 1, 1966 to the date of exercise. Such Warrants will expire at the close of business on December 1, 1969.

7. Long Term Contracts

The Company has entered into a lease dated May 1, 1962 for the rental of the premises at 215 Spadina Avenue, Toronto, Canada, for a period of 10 years at an annual rental of \$107,640. During the year ended February 28, 1965, the Company received rental income of \$26,156 for a portion of these premises.

8. Lady Manhattan (Canada) Limited - Ontario (ladies shirts)

In April, 1965, this company was incorporated to acquire the business (including the right) of manufacturing "Lady Manhattan" shirts in Canada under franchise to the Manhattan Shirt Company of New York. Exquisite Form Brassiere (Canada) Limited purchased 75% of the shares of Lady Manhattan (Canada) Limited. This transaction is subject to the acceptance by the Toronto Stock Exchange of a filing statement in respect to this transaction.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED FEBRUARY 28, 1965

	1965	1964 for Comparison
Balance at beginning of Year	\$2,121,978	\$1,809,077
Add: Net Profit for the Year	602,836	505,012
	<u>\$2,724,814</u>	<u>\$2,314,089</u>
Less: Transfer to Series A Preference Share Purchase Fund (Note 6)	\$ 32,750	\$ 75,000
Dividends - Series A First Preference Shares		
(1965 - 60¢) (1964 - 60¢)	87,817	88,875
- Common Shares (1965 - 17 1/2¢) (1964 - Nil)	65,199	-
Prior Years' and Other Adjustments (net)	<u>66,733</u>	<u>28,236</u>
	<u>\$ 252,499</u>	<u>\$ 192,111</u>
Balance at end of Year (to Consolidated Balance Sheet)	<u>\$2,472,315</u>	<u>\$2,121,978</u>

EXQUISITE FORM BRASSIERE (CANADA) LIMITED
(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO)
AND ITS SUBSIDIARY COMPANIES (NOTE 1)
CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED FEBRUARY 28, 1965

	1965	1964 for Comparison
Sales	\$10,418,040	\$9,808,833
Net Operating Income after Directors' Fees of \$3,000 (1964 - \$3,500)	\$ 1,207,363	\$1,081,809
Add: Income from Investments (Note 3)	136,628	54,200
Net Earnings	\$ 1,343,991	\$1,136,009
Less: Depreciation	\$ 172,175	\$ 146,149
Sinking Fund Debenture Interest (Note 5)	123,986	125,000
Debenture Discount Amortization (Note 5)	4,970	5,000
Income Taxes	440,024	354,848
Net Profit for the Year (to Consolidated Statement of Retained Earnings)	\$ 602,836	\$ 505,012
<u>CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS</u> <u>FOR THE YEAR ENDED FEBRUARY 28, 1965</u>		

Funds were provided from:

Operations	
- net profit for the year	\$ 602,836
- depreciation	172,175
- debenture discount amortization (Note 5)	4,970
	\$ 779,981
Less: income from investments not received in cash -	66,300
	\$ 713,681
Reduction of other investments	12,459
	\$ 726,140

Funds were applied to:

Purchase of fixed assets, including those of acquisitions (net)	\$ 226,773
Purchase of 50% interest in Exquisite Form Brassiere (Great Britain) Limited (Note 3)	1,604,095
Purchase of 51% interest in Lawsonit Products Limited (Note 4)	51
Repurchase of Sinking Fund Debentures (Note 5)	48,500
Repayment of Mortgage (Germany)	15,825
Payment of dividends - Preferred	87,817
- Common	65,199
Excess of cost over book value of shares in Dunley Shirt (Canada) Limited (Note 1)	41,775
Other (net)	26,789
	2,116,824
Decrease in Working Capital	\$1,390,684

The accompanying notes form an integral part of the financial statements.

FINANCIAL STATEMENTS

January 14, 1965.

To the Shareholders,
Paradise Crinolines Limited,
646 Adelaide St. West,
Toronto, Ontario.

Dear Sirs:

In accordance with instructions received, we report having audited the books and vouchers of Paradise Crinolines Limited and, in connection therewith, submit the following Statements:

ENCLOSURES

- (1) Balance Sheet as at December 31, 1964.
- (2) Interim Statement of Manufacturing, Trading and Profit and Loss for the six months ended December 31, 1964.
- (3) Summary of Manufacturing Expenses.
- (4) Summary of Selling and Delivery Expenses.
- (5) Summary of General and Administrative Expenses.
- (6) Inventory Certificate as at December 31, 1964.
- (7) Capital Cost Allowance Schedule.

AUDITOR'S REPORT

We have examined the Balance Sheet of Paradise Crinolines Limited as at December 31, 1964 and the Interim Statement of Profit and Loss for the six months ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

We have accepted certificates from the management certifying the inventory valuation and full disclosure of liabilities as shown on the balance sheet.

No direct confirmation was made on the Accounts Receivable.

No confirmation was made with respect to the Accounts Payable other than comparing creditors statements on hand as at January 13, 1965 against the balances as shown by the books.

Subject to the above, in our opinion, the accompanying Balance Sheet and Statement of Profit and Loss present fairly the financial position of the Company as at December 31, 1964 and the results of its operations for the six months then ended, according to generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

Harvey S. Borden & Co.
HARVEY S. BORDEN & COMPANY,
Chartered Accountants.

PARADISE CRINOLINES LIMITED

TORONTO

ONTARIO

BALANCE SHEET -- DECEMBER 31, 1964.

ASSETS

CURRENT

Cash on Hand	\$ 62.43
Bank Balance	11,498.61
Accounts Receivable	\$184,979.25
Less: Provision for Doubtful Accounts	3,000.00
Inventory - as determined and valued by management	181,979.25
Prepaid Expenses	274,118.30
Sundry	1,415.20
Loans Receivable	967.79
State of Israel Bonds	5,916.89
	<u>200.00</u>

FIXED

\$476,158.47
66,770.42

LIABILITIES AND CAPITAL

CURRENT

Outstanding Cheques	\$19,753.78
Bank Loan	44,500.00
Accounts Payable	37,662.24
Wages Payable	23,708.41
Tax Deductions at Source	3,875.05
Sales Tax Payable	10,742.25
Commissions Payable	3,032.09
Sundry	<u>1,103.19</u>

\$144,377.02

DEFERRED

Note Payable - Nathan Gold Investments Ltd. - 8%
80,000.00

CAPITAL - Authorized

5,000 Class A Preference Shares per value \$1.00	\$ 5,000.00
25,000 Class B non-voting Preference Shares per value \$1.00	25,000.00
5,000 Preference Shares per value \$1.00 Class C non-voting participating	5,000.00
5,000 Common Shares per value \$1.00	<u>5,000.00</u>
	<u>\$40,000.00</u>

Issued and Fully Paid:

3 Common Shares @ \$1.00	\$ 3.00
13,500 Class B Preference Shares @ \$1.00	13,500.00
1,497 Class C Preference Shares @ \$1.00	<u>1,497.00</u>

15,000.00

SURPLUS

Balance July 1, 1964	\$215,477.93
Add: Net Operating Profit for Period	<u>88,073.94</u>

Balance December 31, 1964

303,551.87

TOTAL ASSETS

\$542,928.89

TOTAL LIABILITIES AND CAPITAL

\$542,928.89

N. Gold

PARADISE CRINOLINES LIMITED
INTERIM STATEMENT OF MANUFACTURING, TRADING AND PROFIT AND LOSS
FOR THE SIX MONTHS ENDED DECEMBER 31, 1964.

SALES		\$612,984.13
COST OF SALES		
Inventory - July 1, 1964	\$197,078.24	
Purchases	<u>319,382.61</u>	
	\$516,460.85	
Less: Inventory December 31, 1964	<u>274,118.30</u>	
	\$242,342.55	
Factory Wages	151,150.62	
Manufacturing Expenses	<u>30,720.44</u>	<u>424,213.61</u>
GROSS TRADING PROFIT		\$188,770.52
Selling Expenses	\$ 62,101.31	
General and Administrative Expenses	<u>38,595.27</u>	<u>100,696.58</u>
NET OPERATING PROFIT (Before provision for Corporation Taxes)		<u>\$ 88,073.94</u>

INVENTORY CERTIFICATE

Harvey S. Borden & Company,
Chartered Accountants,
491 Lawrence Ave. West,
Toronto, Ontario.

Dear Sirs:

In connection with your examination of the Balance Sheet of Paradise Crinolines Limited as at December 30, 1964, I hereby certify that the inventory as of that date was \$274,118.30, that it was taken under my direction, and that to the best of my knowledge and belief:

- (1) The quantities are correct.
- (2) Each item of inventory is priced at cost or market value, whichever was lower, and not in excess of realization value.
- (3) All liabilities in connection with the above have been included as at December 31, 1964.

PARADISE CRINOLINES LIMITED,

per:

N. Gold

FINANCIAL STATEMENTS

(1)

PARADISE CRINOLINES LIMITED

BALANCE SHEET

ASSETS

BALANCE SHEET AS AT MARCH 31, 1965.

ASSETS

LIABILITIES AND CAPITAL

CURRENT

Cash on Hand	\$ 10.73	
Bank Balance	22,964.54	
Accounts Receivable	\$182,522.51	
Less: Provision for Doubtful Accounts	<u>3,000.00</u>	179,522.51
Inventory		380,340.37
Prepaid Expenses	<u>2,881.31</u>	310.16
		<u>\$535,907.46</u>
As per Schedule		69,071.00

Outstanding Cheques	\$ 17,673.19	
Bank Loan	150,300.00	
Accounts Payable and Accrued Liabilities	75,062.76	
Wages and Salaries Payable	29,690.00	
Tax Deductions Payable	3,247.10	
Sales Tax Payable	8,766.54	
Royalties Payable	3,923.81	
Commissions Payable	4,860.23	
Sundry	549.15	
Ontario Corporation Tax	14,563.03	
Federal Corporation Tax	<u>42,149.00</u>	<u>\$350,797.81</u>

CAPITAL - Authorized

5,000 Class A Preferred Shares par value \$1.00	\$ 5,000.00	
25,000 Class B Non-Voting Preference Shares par value \$1.00	25,000.00	
5,000 Class C Non-Voting Participating Preference Shares par value \$1.00	5,000.00	
5,000 Common Shares par value \$1.00	<u>5,000.00</u>	
	\$ 40,000.00	
Issued and Fully Paid		
3 Common Shares @ \$1.00	\$ 3.00	
13,500 Class B Preference Shares @ \$1.00	13,500.00	
1,497 Class C Preference Shares @ \$1.00	<u>1,497.00</u>	15,000.00

SURPLUS

Balance - July 1, 1964	\$215,477.93	
Add: Net Operating Profit for Period	<u>73,719.57</u>	
	\$289,197.50	
Less: Interest re Corporation Taxes	<u>16.35</u>	
Balance - March 31, 1965		<u>289,180.65</u>

TOTAL ASSETS	<u>\$654,978.46</u>	TOTAL LIABILITIES AND CAPITAL	<u>\$654,973.46</u>
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PARADISE CEMENTS LIMITED
INTERIM STATEMENT OF MANUFACTURING, TRADING AND
FINANCIAL RESULTS
FOR THE NINE MONTHS ENDED MARCH 31, 1965.

SALES		\$901,012.11
<u>COST OF SALES</u>		
Inventory July 1, 1964	\$197,078.24	
Purchases	<u>497,691.21</u>	
	\$694,769.45	
Less: Inventory March 31, 1965	<u>380,348.37</u>	
	\$314,421.08	
Factory Wages	242,682.46	
Manufacturing Expenses	<u>49,339.32</u>	<u>606,442.86</u>
GROSS TRADING PROFIT		\$294,569.25
Selling Expenses	\$ 92,102.00	
General and Administrative Expenses	<u>70,030.65</u>	<u>162,132.65</u>
Net Operating Profit		\$132,436.60
Provision for Ontario Corporation Tax	\$ 14,568.03	
Federal Corporation Tax	<u>44,149.00</u>	<u>58,717.03</u>
NET PROFIT		<u>\$ 73,719.57</u>

PARADISE CEMENTS LIMITED
CONTINGENT LIABILITIES
MARCH 31, 1965.

Net Operating Profit		<u>\$132,436.60</u>
<u>Ontario Corporation Tax</u>		
Tax on \$132,436.60 @ 11%		<u>\$ 14,568.03</u>
<u>Federal Corporation Tax</u>		
Tax on the first	\$35,000.00 @ 21%	\$ 7,350.00
Tax on remainder	\$97,436.60 @ 50%	<u>48,718.30</u>
		\$56,068.30
Less: Tax Credit 9% of \$132,436.60		<u>11,919.30</u>
Federal Tax Payable		<u>\$ 44,149.00</u>

14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	Garson Reiner, East Sunnyside Lane, Irvington-on-Hudson, N.Y. N.Y. - 85,006 shares Exquisite Form Brassiere, Inc., 385 Fifth Avenue, New York 16, N.Y. -135,006 shares Harry Louis Solomon, 26 Dunloe Road, Toronto, Ontario. - 30,001 shares
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	Exquisite Form Brassiere Inc., 385 Fifth Avenue, New York 16, N.Y. - 135,006 Common Shares in escrow Garson Reiner, East Sunnyside Lane, Irvington-on-Hudson, N.Y., N.Y. - 85,006 Common Shares in escrow Harry Louis Solomon, 26 Dunloe Road, Toronto, Ontario. - 30,001 Common Shares in escrow Gairdner & Company Limited, 320 Bay Street, Toronto, Ontario. - 29,299 Common Shares Exquisite Form Industries, Inc., 385 Fifth Avenue, New York 16, N.Y. - 8,999 Common Shares
16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	Garson Reiner, East Sunnyside Lane, Irvington-on-Hudson, New York, and Exquisite Form Industries, Inc., 385 Fifth Avenue, New York 16, N.Y.
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	The Company's policy is to consolidate its subsidiary companies when presenting its annual financial statements.
18. Brief statement of any lawsuits pending or in process against company or its properties.	None
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	N/A
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	See Item 1 above. There are no shares of the Company in primary distribution.

CERTIFICATE OF THE COMPANY

DATED JUN 1 1966

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

EXQUISITE FORM BRASSIERE (CANADA) LIMITED.,
"H. L. Solomon"

CORPORATE
SEAL

"P. P. Henry"

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

THE TORONTO STOCK EXCHANGE

24/6/68
25/7/68

FILING STATEMENT NO. 1623.
FILED, AUGUST 13th, 1968.

EXQUISITE FORM BRASSIERE (CANADA) LIMITED

Incorporated under Full corporate name of Company
the laws of the Province of Ontario by Letters Patent dated December 16, 1959,
Supplementary Letters Patent dated respectively Apr. 27/64, Dec. 29/60 and Dec.
Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1955 30/60 have
(Ontario) by Letters Patent dated May 1st, 1957). been issued to the
Company.'

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

Reference is made to previous Filing Statement No. 1324.

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	See Note "A" on pages 2 and 3.
2. Head office address and any other office address.	215 Spadina Avenue Toronto 2B, Ontario
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	1. Garson Reiner, Executive, Director and Chairman of the Board, East Sunnyside Lane, Irvington-on-the-Hudson, New York, N.Y. 2. Harry Louis Solomon, Executive, Director and President, 26 Dunloe Road, Toronto, Ont. 3. Joseph Harry Gayne, Executive, Director Vice-President and Secretary-Treasurer, 207 Searle Avenue, Downsview, Ontario. 4. Philip Peter Henry, Executive, Director and Vice-President, 193 Hillhurst Avenue, Toronto, Ontario. 5. John Smith Gairdner, Investment Dealer, Director, 1502 Lakeshore Highway East, Oakville, Ontario. 6. John Howard Hawke, Investment Dealer, 65 Douglas Drive, Toronto, Ontario. 7. Benjamin H. Oremland, Attorney, Director, 120 East 79th Street, New York, New York. 8. Stephen Reiner, Attorney, Director, 385 Fifth Avenue, New York, New York. 9. Irwin Singer, Solicitor, Director, 1 Green Valley Road, Willowdale, Ontario.
4. Share capitalization showing authorized and issued and outstanding capital	Authorized Capital - 181,814 First Preference shares having par value of \$10 each, issuable in series; 20,000 5% Non-cumulative, non-voting, redeemable Second Preference shares having a par value of \$50 each; and 1,117,812 Common shares with no par value. Issued and Outstanding Capitalization - 31,814 6% Cumulative Redeemable Convertible First Preference Shares, Series A, 13,000 Second Preference Shares, and 514,653 75/300ths Common Share
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	The Company has created and issued \$2,000,000 aggregate principal amount of 6 3/4% Sinking Fund Debentures, Series A, dated as of November 15, 1962, and maturing November 15, 1982. As at the date hereof there is outstanding \$1,775,000 aggregate principal amount thereof; \$225,000 having been purchased for cancellation.
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	(a) 20,000 common shares of the Company were set aside and allotted to employees of the Company and other persons designated by the President, subject, inter alia, to the payment of the subscription price therefor. Originally the subscription price was \$9.00 per share, however this was subsequently reduced to \$6.30 per share at a meeting of Directors held on August 9, 1963. At the date hereof, of the options granted, 16,340 have been exercised at the price of \$6.30 per share, and 3,660 expired on April 25, 1967. (b) There are presently issued and outstanding Common Share Purchase Warrants entitling the holders thereof to purchase 105,000 common shares of the Company at the price of \$12.00 per share if exercised on or before December 1, 1966, such exercise price increasing thereafter by \$1.00 per share for each year commenced or lapsed from December 1, 1966, up to and including December 1, 1969, after which date the said Warrants are void. (c) The First Preference Shares, Series A, are convertible at the option of the holders into Common shares of the Company as follows: On or before December 1, 1965 1 common sh. Thereafter and on or before December 1, 1966 14/15 of a common share Thereafter and on or before December 1, 1967 273/300 of a common share Thereafter and on or before December 1, 1968 252/300 of a common share Thereafter and on or before December 1, 1969 231/300 of a common share Thereafter and on or before December 1, 1970 210/300 of a common share
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	See Item 1 Note "A" and Item No. 6. See Note "A" on pages 2 and 3.
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	N/A

NOTE "A"

PURSUANT to an agreement dated as of May 29, 1968, Mr. Garson Reiner (hereinafter called "Reiner") agreed to sell and in fact sold to Levin-Townsend Enterprises, Inc., a New York corporation listed on the American Stock Exchange, 89,256 common shares in the capital stock of Exquisite Form Brassiere (Canada) Limited (hereinafter called "Exquisite Canada") at the price of \$12.00 per share (U.S.) which monies were payable in cash upon delivery. The transaction was at arms-length.

ADDITIONALLY, and in the main, an agreement of purchase and sale of May 29, 1968, gave Levin-Townsend an option to purchase all of the outstanding stock of Exquisite Form Industries, Inc. (hereinafter called "Exquisite U.S.") owned or controlled by Mr. Reiner at the price of \$7.00 per share (U.S.). Mr. Reiner owns or controls (through family and family trust) 7,368,710 Class "A" capital shares of Exquisite U.S. of a total of 9,240,607 shares outstanding. The option was given to Levin-Townsend in consideration of Levin-Townsend loaning to Reiner the sum of \$2,500,000. The option expires on January 4, 1971. The aggregate of the common shares of Exquisite Canada now owned by Levin-Townsend and Exquisite U.S., represents ^{approximately} 47% of the outstanding common shares of Exquisite Canada.

PURSUANT to the further provisions of May 29, 1968, Reiner and Levin-Townsend entered into an escrow agreement under the terms of which Reiner deposited with an escrow agent certificates representing 100,000 shares of unrestricted Class "A" Common Stock of Exquisite U.S. It was agreed that, if upon any sale by Levin-Townsend of the shares of Exquisite Canada, Levin-Townsend does not realize the purchase price paid, that the deficiency may be recouped by Levin-Townsend out of the monies realized from the sale of the said 100,000 shares of Class "A" Common Stock of Exquisite U.S.

UNDER the further terms of the agreement aforesaid, Levin-Townsend agreed that it would not sell any of the shares of Exquisite Canada purchased by Levin-Townsend prior to January 4, 1971, except if, prior to that date of January 4,

NOTE "A"

1971, the combined market value of 89,256 common shares of Exquisite Canada and the 100,000 of unrestricted Class "A" Common Shares of Exquisite U.S., fall below an aggregate market value of \$850,000 (U.S.) and that such condition continues for one hundred and eighty consecutive days. The Agreement further provides that the right of Levin-Townsend to sell the shares of Exquisite Canada prior to January 4, 1971, is terminated in the event that Levin-Townsend should purchase the 100,000 unrestricted Class "A" Common Stock of Exquisite U.S.

THE AGREEMENT of May 29, 1968, further provides that Levin-Townsend shall in no event sell the shares of Exquisite Canada without first notifying Reiner of its intention to do so, and that Reiner has the right to purchase the shares of Exquisite Canada in accordance with the provisions of the Escrow Agreement.

FINALLY, pursuant to the agreement of May 29, 1968, Exquisite U.S. and Levin-Townsend entered into a Stockholders Agreement, which agreement gives to Exquisite U.S. and Levin-Townsend the right to elect 50% of the Board of Directors of Exquisite Canada. The parties further agreed to jointly vote their shares for the election of two designees of Gairdner & Company Limited to the Board of Directors of Exquisite Canada so long as Exquisite Canada was obliged so to do under the terms of the prior agreement.

FINANCIAL STATEMENTS

EXQUISITE FORM BRASSIERE (CANADA) LIMITED

(Incorporated under the laws of the Province of Ontario)
and its wholly owned subsidiary companies

CONSOLIDATED BALANCE SHEET AS AT FEBRUARY 29, 1968

(with comparative figures for 1967)

ASSETS		LIABILITIES	
		1968	1967
CURRENT ASSETS			
Cash on Hand and in Banks		\$ 120,808	\$ 40,240
Accounts Receivable after Allowance for Doubtful Accounts (Note 2)		2,522,403	2,619,862
Advances to Affiliates		7,740	—
Income Taxes Recoverable		158,429	48,967
Inventories — at Lower of Cost and Net Realizable Value		3,237,615	3,732,125
Prepaid Expenses		96,244	109,835
		<u>\$6,143,239</u>	<u>\$ 6,551,029</u>
SPECIAL REFUNDABLE INCOME TAX — Canada			
		<u>\$ 16,198</u>	<u>\$ 19,221</u>
FIXED ASSETS			
Land and Buildings — at Cost		\$ 657,084	\$ 651,687
Equipment, Display Fixtures, Leasehold Improvements and Automotive Equipment — at Cost		1,647,361	1,677,653
Patent — at Cost		150,000	150,000
		<u>\$2,454,445</u>	<u>\$ 2,479,340</u>
Less: Accumulated Depreciation (Note 3)		1,294,026	1,226,787
		<u>\$1,160,419</u>	<u>\$ 1,252,553</u>
OTHER ASSETS			
Excess of Cost over Book Value of Shares in Subsidiary Companies (Notes 8 and 11)		\$ 125,018	\$ 138,359
Investments and Advances—Exquisite Form Espana S.A. (Note 4)		38,209	37,857
—Exquisite Form Brassiere (Great Britain) Limited (Note 5)		1,756,307	1,719,909
—Lawsonit Products Limited (Note 5)		33,168	32,565
—Other — at Cost		30,643	26,747
Deferred Expenses Unamortized — Pre-production and Promotion		165,262	234,994
Unamortized Debenture Discount (Note 6)		65,453	72,844
		<u>\$2,214,060</u>	<u>\$ 2,265,275</u>
		<u>\$9,533,916</u>	<u>\$10,088,078</u>
CURRENT LIABILITIES			
Bank Loans — Secured (Note 7)		\$1,221,498	\$ 1,870,155
Accounts Payable and Accrued Liabilities		1,190,457	967,106
Notes Payable		39,882	103,790
Dividends Payable		4,772	4,772
Advances from Affiliates		—	6,229
Income Taxes Payable		207,098	256,080
Current Portion of Long Term Debt		125,751	139,770
		<u>\$2,789,458</u>	<u>\$ 3,347,902</u>
LONG TERM DEBT			
Note Payable (Note 8)		\$ 33,676	\$ 104,679
Mortgage Payable—Repayable in German D. Marks 6% % Sinking Fund Debentures, Series A, Maturing December 1, 1982 (Note 6)		95,395	111,922
		<u>1,700,000</u>	<u>1,775,000</u>
		<u>\$1,829,071</u>	<u>\$ 1,991,601</u>
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS (Note 9)			
		<u>\$ 28,900</u>	<u>\$ 28,500</u>
MINORITY INTEREST IN A SUBSIDIARY (Note 8)			
		<u>\$ —</u>	<u>\$ 4,397</u>
Total Liabilities		<u>\$4,647,429</u>	<u>\$ 5,372,400</u>
SHAREHOLDERS' EQUITY			
Capital Stock (Note 10)			
Authorized			
181,814	First Preference Shares of the par value of \$10 each, issuable in series		\$1,818,140
20,000	5% Non-Cumulative Non-Voting Redeemable Second Preference Shares of the par value of \$50 each		\$1,000,000
1,117,812	Common Shares without par value		
Issued and Fully Paid			
31,814	6% Cumulative Redeemable Convertible First Preference Shares, Series A	\$ 318,140	\$ 318,140
13,000	Second Preference Shares	650,000	650,000
514,653¼	Common Shares (1967 — 514,253¼)	1,351,381	1,348,861
		<u>\$2,319,521</u>	<u>\$ 2,317,001</u>
Retained Earnings		2,566,966	2,398,677
		<u>\$4,886,487</u>	<u>\$ 4,715,678</u>
Total Shareholders' Equity		<u>\$9,533,916</u>	<u>\$10,088,078</u>

Approved on behalf of the Board

GARSON REINER, Director
HARRY L. SOLOMON, Director

The accompanying notes form an integral part of the financial statements.

EXQUISITE FORM BRASSIERE (CANADA) LIMITED

(Incorporated under the laws of the Province of Ontario)
and its wholly owned subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended February 29, 1968 (with comparative figures for 1967)

	1968	1967
Sales	\$11,478,565	\$11,746,377
Net Operating Income (Note 13)	\$ 621,596	\$ 960,022
Add: Income from Investments—Affiliated Companies (Notes 4 and 5)	52,150	59,098
—Other	—	9,695
Net Earnings Before the Undernoted Items	\$ 673,746	\$ 1,028,815
Less: Depreciation (Note 3)	\$ 154,798	\$ 200,474
Interest on Long Term Debt (Note 8)	5,843	—
Sinking Fund Debenture Interest (Note 6)	114,715	117,586
Debenture Discount Amortization (Note 6)	4,578	4,721
Income Taxes (Note 8)	192,941	359,885
Minority Interest in Subsidiary Profits (Losses) (Note 8)	—	(12,485)
	\$ 472,875	\$ 670,181
Net Profit for the Year (To Consolidated Statement of Retained Earnings)	\$ 200,871	\$ 358,634

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended February 29, 1968 (with comparative figures for 1967)

	1968	1967
Balance at Beginning of Year	\$ 2,398,677	\$ 2,283,979
Add: Net Profit for the Year	200,871	358,634
Profit on Sale of Shares of Malibu Fabrics of Canada Limited (Note 11)	25,313	—
Prior Years' and Other Adjustments (Net)	—	9,984
	\$ 2,624,861	\$ 2,652,597
Less: Dividends—Series A First Preference Shares (1968—60¢) (1967—60¢)	\$ 19,088	\$ 20,291
—Common Shares—Cash (1968—Nil) (1967—35¢)	—	169,960
—5% Stock Dividend (13¢) (Note 10)	—	63,669
Prior Years' and Other Adjustments (Net)	38,807	—
	\$ 57,895	\$ 253,920
Balance at End of Year (To Consolidated Balance Sheet)	\$ 2,566,966	\$ 2,398,677

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended February 29, 1968 (with comparative figures for 1967)

	1968	1967
Funds were provided from:		
Operations		
—Net Profit for the Year	\$ 200,871	\$ 358,634
—Depreciation and Amortization (Note 3)	154,798	200,474
—Debenture Discount Amortization (Note 6)	4,578	4,721
	\$ 360,247	\$ 563,829
Less: Income from Investments not Received		
in Cash (Notes 4 and 5)	\$ 52,150	\$ 59,098
Minority Interest in Subsidiary Loss (Note 8)	—	12,485
	\$ 52,150	\$ 71,583
	\$ 308,097	\$ 492,246
Employees' Stock Options Exercised (Note 10)	2,520	12,915
Sale of Malibu Fabrics of Canada Limited		
—Shares (Note 11)	25,313	—
—Non Current Assets	19,086	—
Special Refundable Income Tax—Canada	2,802	(19,221)
Investments and Advances (Net) in Exquisite Form Brassiere (Great Britain) Limited (Note 5)	15,149	89,331
Other (Net)	4,304	(29,128)
	\$ 377,271	\$ 546,143
Funds were Applied To:		
Purchase of Fixed Assets (Net)	\$ 59,576	\$ 201,903
Repurchase of Sinking Fund Debentures (Note 6)	68,250	71,500
Repayment of Note Payable (Note 8)	62,824	59,500
Cash Dividends to Shareholders—Preferred	19,088	20,291
—Common	—	169,960
Advances to Exquisite Form Espana S.A. (Note 4)	352	(10,485)
Repayment of Mortgage—Germany	16,527	(54,218)
	\$ 226,617	\$ 458,451
INCREASE IN WORKING CAPITAL	\$ 150,654	\$ 87,692
Working Capital—Opening Balance	\$3,203,127	\$3,115,435
—Closing Balance	3,353,781	3,203,127
INCREASE IN WORKING CAPITAL	\$ 150,654	\$ 87,692



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at February 29, 1968

1. Wholly Owned Subsidiary Companies—

Consolidated

Brassieres and Girdles

- Exquisite Form Brassiere Ltd. G.m.b.H.
- West Germany
- Exquisite Form Brassiere de Venezuela, C.A.
- Venezuela
- Exquisite Form Brassiere de Colombia Ltda.
- Colombia
- Feminine Form Miederwaren G.m.b.H.
- West Germany
- (commenced operations January 12, 1967)

Textiles

- Elasticos de Venezuela C.A.—Venezuela

Men's Shirts and Underwear

- Gant Shirmakers of Canada, Limited
- Ontario (subsequent to the year end, the operations of this subsidiary were transferred to the Company, and application was made to change its name to Dunley Shirt (Canada) Limited)

Ladies' Shirts, Sportswear and Dresses

- Lady Manhattan (Canada) Limited
- Ontario (See Note 8)

All significant intercompany loans and transactions have been eliminated on consolidation. Foreign currencies have been translated into Canadian funds at free rates on the following bases:

Current Assets, Current Liabilities and Long Term Debt—at the prevailing rate on February 29, 1968.

Fixed Assets and Other Assets—at the average cost in Canadian funds in the period in which acquired or incurred.

Profit and Loss Accounts—at the average rate for the year. (See also Note 5)

Colombia has certain exchange restrictions but its currency is convertible into Canadian dollars at free rates of exchange upon approval by the Central Bank of Colombia.

The consolidated financial statements for the year ended February 28, 1967 are shown for comparative purposes only, and should be read in conjunction with the notes to the consolidated financial statements in the annual report for that year.

2. Accounts Receivable

Included in this are accounts in Venezuela totaling approximately \$161,000 that have taken extended credit compared to Canadian practice. The auditors of this subsidiary did not consider it necessary to qualify their report for any part of this amount.

3. Depreciation

According to the auditors in Venezuela, depreciation on some fixed assets has been omitted for the year because the Venezuelan tax department claimed that the accumulated depreciation had been accelerated and required adjustment.

If full depreciation had been taken for 1968 at rates comparable with 1967, net profit for the year would decrease by approximately \$39,000.

4. Investment and Advances — Exquisite Form Espana S.A. — Spain (brassieres and girdles) —37½%

The Company's share of the unaudited net profit of this company was \$2,838 for the year ended February 29, 1968 and \$13,621 to date. Of these amounts, only the dividend of \$2,027 declared in the 1967 year has been included in the consolidated statement of earnings for that year.

5. Investment and Advances — 50% Owned

- Exquisite Form Brassiere (Great Britain) Limited (brassieres and girdles)
- Lawsonit Products Limited—Ontario (textiles)

The Company's share of the earnings of these companies have been included in the attached consolidated statement of earnings, and its investment in these companies is carried at its cost plus the Company's share of the earnings to date, less dividends received.

In November 1967, the British pound was devalued from approximately \$3.00 to \$2.60. Because the devaluation occurred after the middle of the year, the average rate for the year has been used in the consolidated statement of earnings.

6. 6¼% Sinking Fund Debentures, Series A

These 6¼% Sinking Fund Debentures, Series A were issued under a trust indenture dated November 15, 1962 which provided for the following conditions, inter alia:

6. (a) The redemption prior to maturity at the Company's option at any time in whole or from time to time in part on not less than 30 days' prior notice on the following bases: (i) out of sinking fund moneys, at the principal amount thereof; and (ii) otherwise than out of sinking fund moneys, at the option of the Company, at the principal amount thereof plus a premium of 6¼% of such amount if redeemed on or before December 1, 1963, such premium thereafter decreasing .33 of 1% of such principal amount for each year commenced or elapsed after December 1, 1963 to the date specified for redemption up to and including the year commencing December 2, 1980 and after December 1, 1981 and prior to maturity at the principal amount thereof; together in all cases with accrued interest to the date specified for redemption.

(b) The establishment of a sinking fund for the retirement of \$50,000 aggregate principal amount of Series A Debentures on December 1 in each of the years 1964 to 1966 inclusive, \$75,000 aggregate principal amount of Series A Debentures on December 1 in each of the years 1967 to 1969 inclusive, and \$100,000 aggregate principal amount of Series A Debentures on December 1 in each of the years 1970 to 1981 inclusive.

7. Bank Loans — Secured

The accounts receivable and inventories of the Company and its subsidiaries have been pledged as security for these loans.

8. Lady Manhattan (Canada) Limited

As at March 1, 1967, the Company purchased the 25% minority interest in this subsidiary for \$96,500, payable in 36 equal monthly payments including principal and interest of \$2,933 commencing April, 1967.

As at October 31, 1967, the operations of this subsidiary were transferred to the parent company as Lady Manhattan of Canada, a division of Exquisite Form Brassiere (Canada) Limited.

9. Accumulated Tax Reductions Applicable to Future Years

For Canadian income tax purposes, the Company has claimed maximum capital cost allowances

which are in excess of the depreciation recorded in the accounts. The resulting deferred taxes are applicable to those future periods in which the amounts claimed for Canadian income tax purposes will be less than the depreciation recorded in the accounts.

10. Capital Stock

Each Series A First Preference Share shall be convertible at the option of the holder into fully paid non-assessable Common Shares of the Company as follows (after adjusting for the 5% stock dividend of January 2, 1967).

- on or before Dec. 1, 1968 $\frac{252}{300}$ of a Common Share
- on or before Dec. 1, 1969 $\frac{231}{300}$ of a Common Share
- on or before Dec. 1, 1970 $\frac{210}{300}$ of a Common Share

During the 1968 fiscal year, no Series A First Preference Shares were converted into Common Shares. The conversion of 118,186 Series A First Preference Shares to February 29, 1968 into 117,812 Common Shares has reduced the number of authorized and issued First Preference Shares and has increased the number of authorized and issued Common Shares accordingly.

So long as any of the Series A Preference Shares are outstanding and subject to certain provisions the Company will on the first day of April, 1963 and quarter-yearly thereafter enter on its books to the credit of a purchase fund for the purchase, subject to certain provisions, of Series A Preference Shares for cancellation (if obtainable) an amount equal to one and one-quarter percent (1¼%) of the aggregate par value of the greatest number of Series A Preference Shares theretofore issued. To February 29, 1968, no Series A Preference Shares had been purchased for cancellation, but the Company has elected to apply the conversions of the Series A First Preference Shares (as shown above) against its requirements under this purchase fund.

So long as any of the Series A Preference Shares are outstanding, the Company shall not pay any dividends on shares ranking junior to the Series A Preference Shares unless certain provisions are met.

NOTES (cont.)

On April 25, 1962, the Company authorized the granting to key employees and other persons, of options to purchase an aggregate of 20,000 Common Shares of the Company. Each option was cumulatively exercisable over 5 years at a price of \$6.30 per Common Share in progressive annual instalments of 20% of the number of shares optioned. Of the 4,060 options remaining at February 28, 1967, 400 were exercised and 3,660 expired on April 25, 1967.

105,000 Common Shares (after adjusting for the 5% stock dividend of January 2, 1967) will be reserved for the exercise of outstanding Common Shares Purchase Warrants issued with the 6¼% Sinking Fund Debentures (Note 6). Such warrants will entitle the bearers thereof to purchase 1-1/20 Common Shares for

- \$14.00 on or before December 1, 1968
- \$15.00 on or before December 1, 1969

No warrants had been exercised to February 29, 1968.

11. Malibu Fabrics of Canada Limited

As at March 1, 1967, the Company sold its 100% interest in this subsidiary at a price of \$25,313 in excess of its investment and advances therein.

12. Long Term Leases

The Company and its subsidiaries have entered into leases expiring between 1969 through 1982, depending upon the exercise of certain options, with a maximum rental payable in any one year of \$192,700. During the year ended February 29, 1968, the Company received rental income of \$35,600 for a portion of its premises.

13. Executive Remuneration

Aggregate direct remuneration paid to directors and senior officers in 1968 totalled \$196,000.

AUDITORS' REPORT

To the Shareholders of

Exquisite Form Brassiere (Canada) Limited.

We have examined the consolidated balance sheet of Exquisite Form Brassiere (Canada) Limited as at February 29, 1968 and the consolidated statements of earnings, retained earnings and source and application of funds for the year ended on that date. Our examination of the financial statements of Exquisite Form Brassiere (Canada) Limited (the parent company), and those subsidiaries of which we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have

examined the financial statements of the other subsidiaries.

In our opinion the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and application of funds present fairly the financial position of the companies as at February 29, 1968 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in depreciation of approximately \$39,000 as described in note 3.

Toronto, Canada.
June 28, 1968.

WM. EISENBERG & CO.
Chartered Accountants.

The accompanying notes form an integral part of the financial statements.

Exquisite Form BRASSIERE
(CANADA) LTD.

215 SPADINA AVENUE, TORONTO 2B, ONTARIO

TELEPHONE 363-5951

August 9th, 1968.

The Toronto Stock Exchange,
234 Bay Street,
Toronto, 1. Ontario.

Dear Sir:

Re: Exquisite Form Brassiere (Canada) Limited

In connection with the filing statement submitted to you with respect to the sale of common shares by Mr. G. Reiner to Levin-Townsend Enterprises Inc., and the Annual Report of the Company attached thereto, we hereby advise you that since the date of February 29, 1968, the affairs of the Company have been carried on in the ordinary course, and that there has been no material change in the affairs of the Company since that date.

Yours very truly,
EXQUISITE FORM BRASSIERE (CANADA) LTD.

Per

H. L. Solomon
H. L. Solomon
President

Per

J. H. Gayne
J. H. Gayne
Secretary-Treasurer

9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	The company intends to pursue its policy of expansion through international growth and selective acquisition
10. Brief statement of company's chief development work during past year.	The company carried on its operations in the normal course.
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	N/A
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	As recited in Item 1 Note "A", Mr. Garson Reiner sold to Levin-Townsend Enterprises, Inc., 89,256 common shares in the capital of the company. See Note "A" on pages 2 and 3.
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement	None.
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	N/A
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	<p>Exquisite Form Industries, Inc. - 165,844 common shares 285 Fifth Avenue, New York, 16, N.Y.</p> <p>Levin-Townsend Enterprises, Inc. - 89,256 common shares 445 Park Avenue, New York, N.Y. 10022.</p> <p>Harry L. Solomon, - 42,652 common shares 26 Dunloe Road, Toronto, Ontario.</p> <p>*Gairdner & Company Limited, - 33,751 common shares 320 Bay Street, Toronto, Ontario.</p> <p>*Gore Company, - 13,676 common shares c/o Canadian Imperial Bank of Commerce, Box 6003, Montreal, P.Q.</p> <p>*The beneficial owners of these shares are not known to management of the Company.</p>
16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	<p>Levin-Townsend Enterprises, Inc., 445 Park Avenue, New York, New York 10022</p> <p>Exquisite Form Industries, Inc. 385 Fifth Avenue, New York 16, N.Y.</p> <p>See Item 1 Note "A". Exquisite Form Industries, Inc. and Levin-Townsend Enterprises, Inc. entered into an agreement under the terms of which each would cast their votes for the election of four of the other representatives of the Board of Directors of the company and further agreed that to jointly vote for the designees of the Gairdner & Company Limited as directors of Exquisite Form Brassiere (Canada) Limited so long as required under the prior agreement. See Note "A" on pages 2 and 3.</p>
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	The Company's policy is to consolidate its subsidiary companies when presenting its annual financial statements.
18. Brief statement of any lawsuits pending or in process against company or its properties.	None
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	N/A
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	See Item 1 above. There are no shares of the Company in primary distribution.

DATED June 27th, 1968.

CERTIFICATE OF THE COMPANY

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"H.L. Solomon"

CORPORATE
SEAL

"J. Gayne"

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)